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Before The
UNITED STATES RAILROAD LABOR BOARD

ARGUMENT
For A Wage Increase

Presented by
B. M. JEWELL, President,
Railway Employees' Department, A. F. of L.

In Behalf Of
THE FEDERATED SHOP CRAFTS

March, 1922.

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PART I

THE WAGE PROBLEM.

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The Wage Problem.

Mr. Chairman, I should like to begin by stating that such a Board as this cannot render a decision which will be considered ^{absolute} justice by both parties because by justice one party means something very different from what the other means. If we agreed with the representatives of management on the principle of wage adjustment we could agree with them on what wage rates should be.

Mr. Chairman, we are living in a period when the system is very badly adjusted to human life, and is growing quite rapidly worse. As the representatives of hundreds of thousands who are suffering from such bad adjustment we are engaged in a long struggle to secure a readjustment which will give human life a chance.

For two years railroad management has been stating their point of view very clearly. It is that the maintenance of full returns to investors is of primary importance to the nation. Reduce wages to the point where the railroads can give capital its full 6% or dire things will happen - bankruptcy, breakdown of transportation, refusal of capital to go on with railroading. They attempt to convey the impression that the welfare of each human being in the population depends more upon a full return to capital than upon a full return to the employees. This presents the issue in a clear cut manner. It is an issue not only in the railroad industry but in the whole of industry.

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Today the representatives of management are loaded with alleged evidence of the sacrifice which other industrial workers have been forced to make to preserve the interests of the profit takers. By bringing in such evidence they have widened the field. We are but representatives of the millions of industrial workers to whom industry is not giving a decent living.

We have not come here today to debate with the railroads as to changes in the cost of living. Even if we admitted that such changes should be the determining factor, they have been too slight since Decision 147 to serve as a talking point for a decrease in wages.

We have not come here today to debate with the railroads as to the level of earnings at present prevailing ⁱⁿ outside industry. As we shall show, these wages are determined by the existence of a large surplus of labor and if the Board is to adjust the wage rates of railroad employees to that level it will become a mere barometer with no real function except to prevent the organized railroad employees from using their own bargaining power in the market.

We have come here to challenge the justice of the wage rates of all productive labor, to challenge the very principle upon which the railroads propose that rates of pay be adjusted. We propose to show how the entire purpose for which industry is operated can and must be changed.

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During the past two years we have seen several national wage boards, assent to the principle of a living wage in principle and then award less than enough to give a family human happiness. Perhaps the most recent instance is also the most striking. The recent award of the Navy Department states that a rate of 90 cents per hour would be more nearly just and then establishes 73 cents. Obviously something is the matter.

We find ~~the same~~ men giving lip service to the principle of the living wage and then in the next breath urging that the so-called law of supply and demand be given full play. Again, I say, it is obvious that something is the matter. For the so-called law of supply and demand will never afford a living wage in a system organized according to modern business principles. Over half a century it has maintained wages at the lowest point at which a labor supply can be maintained. We are going to show this and if possible to give the Board a picture of the so-called law of supply and demand in action under the control of those private interests which have monopolized the jobs.

In our attempt to view this problem of wages in its true light we came first to this conclusion. Wages paid under the existing wage scale are insufficient, in a very considerable proportion of the cases, to enable the adult male wage earner to maintain an ascertainable minimum of decent living. Large numbers of our families are

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living below a standard of decency. This does not apply only to the drifting unskilled classes but to sober industrious workmen. It is not a new phenomenon but has been known to be true at least over a period of 20 years, for it is now nearly 20 years since the first systematic studies of the problem were made.

The question then seems to us to be whether these low standards of living exist among the workers because they do not get a fair share of the products of industry, or because there is not a sufficient amount of industrial products to maintain them on a decent living basis.

Our study of the problem has convinced us that low standards of living are due largely to an unfair division of the country's products. I say "largely due" because we find that shortage of essential supplies tends to develop as a result of the unequal distribution of income.

After careful analysis we can state the whole problem in a single sentence. The railroads are saying to their employees, "we cannot afford to pay a living wage," while we say that the railroad industry must pay at least that. But the problem immediately broadens out to include all industry. Can the country afford to pay productive workers a living wage?

Now we think that when the railroads talk about the railroad industry paying its way they are making an unwarranted distinction between the transportation system and the whole industry of the country. Surely the whole

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industry of the country must pay its way if the country is not to go bankrupt. But to argue that each separate industry, run without co-ordination to the whole, must pay its way is as contrary to the facts as to argue that a given railroad siding or spur track must pay its way independently. It would obviously be worth our while, as a pure business proposition, to subsidize the railroad industry to any conceivable extent rather than to let it suspend operation, first, of course, taking it in hand and stopping the leaks due to private profit taking.

So the true question becomes, in what sense cannot industry afford a living wage?

Now we want to ask two questions without answering them at this time. First, if industry can pay a living wage but will not, what should be the attitude of the workers? Second, if industry as at present operated cannot pay a living wage, what should be the attitude of the workers? These are the vital problems to which the employees of industry will find an answer sooner or later.

In stating the matter this way I want to make our attitude in this hearing very clear. We see that out of the annual yield of any industry three things are being paid, costs (including supplies, depreciation, extensions, taxation, etc.), wages, and profits. Our case is that of these three things that come out of industry, two ought to be constant, costs (reduced to an economical figure) and

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wages at a level which will allow full human life, inclusive of art, literature, music, recreation and sociability such as are enjoyed by the well-to-do. This leaves profits as the sole variable factor and frankly contemplates a situation in which temporarily they may have to cease .

We are sure that the conflict between capital and labor will continue to harass the efficient use of the country's productive power until that situation has been accepted, for nothing less than that is just and reasonable.

Through the varying phases of industry, the prosperity and the depressions of the last generation real wages have tended to remain fairly constant, fluctuating around the level of a bare subsistence. Past experience has taught us that if production is enormously increased, or costs largely cut down, labor will obtain no satisfying proportion of the benefit. If, on the other hand, production is curtailed by the operation of the commercial system, business will naturally attempt to beat down wages in order to retain profits. It is on the basis of this probability that I predict the continuance of industrial conflict.

If an industry can afford only a starvation wage it stands self condemned. But our study of the situation

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has convinced us that taken as a whole industry can pay a living wage, and we are going to outline for the Board the basis for this conclusion, citing the most authoritative data available on the subject. As a matter of fact, quite aside from all statistical matter, our own eyes, viewing the blatant expenditures of the rich and well-to-do during the worst periods of depression and unemployment, tell us that interest and profits go on, and we do not have to look far in the field of financial figures to find that dividend and interest payments vary little, if at all.

Now in this connection we notice that dividends are guaranteed during periods of depression by an averaging out - that is out of the large surplus profits which are stored during the immensely prosperous years.

For instance we notice that the secondary, profit making part of the railroad industry, including steel corporations, equipment and other supply companies, piled up surpluses during the years 1916 to 1920 somewhat as follows:

Steel	<u>\$ 825,958,160</u>
Coal & Coke	<u>139,075,444</u>
Equipment	<u>139,791,071</u>
Other Supply	<u>182,782,372</u>
Total	<u>\$1,287,607,047</u>

These enormous funds are guaranteeing profit

#8

payment while the concerns operate to a very small proportion of capacity - in some instances less than 30%. We wonder why the surplus above all costs, wages and normal profits should guarantee profits any more than steady employment at a living wage during times like the present. In fact, careful analysis of the situation leads us to believe that such guarantee of steady earning power to the wage earner, even at the expense of immediate profits, would go far toward eliminating these recurrent periods of depression. Yet, although much pity is voiced for the suffering and starved due to unemployment, no voice is raised to suggest that the swollen profits of the past five years be paid back into the industry to save the employes from the terrors of such a period.

This establishes our general point of view toward the present and all future wage cases. We feel that mere adjustment of wage rates to minute variations in the cost of living would be a purely statistical problem for the Board's force, requiring no hearing or elaborate preparation on either side. We feel that if the Board should interpret its function to be merely to determine the level of wage rates established in the outside labor market, it would thereby become a mere gauge and so defeat the purpose for which it was established. For organized ^{railroad} labor would then be forced to throw its full weight into the crude struggle at the market place.

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We purpose, therefore, briefly to develop the tendencies of the economic world which help to an understanding of the big problem of wages.

First, we will bring together all available data to find out whether industry as a whole and the railroads in particular are paying rates which have any connection with a living wage. This will involve comparison between earnings at various hourly rates and the cost at present prices of the necessities of healthy family life.

Second, we will develop data to show the actual forces operating to determine wages in the labor market with particular attention to the effect of business depression upon the situation.

Third, we will attempt to find out whether industry can afford to pay a living wage. This will involve a study of the amount of national income and its present division considered from the point of view of the community's well-being. It will also involve an appraisal of the capacity of present productive plant to increase its production in response to the demand of increased purchasing power on the part of the population.

Fourth, we will attempt to forecast the effect upon the country's general prosperity and well-being which would result from the increased purchasing power arising from a living wage.

PART II

RAILROADS DO NOT PAY
SHOEMEN A LIVING WAGE

RAILROADS DO NOT PAY SHOP MEN A LIVING WAGE.

The railroad industry does not today pay a living wage to the mechanics employed in its shops. We have measured the average monthly earnings of men in the railroad shops by every possible standard and in every instance they are found wanting.

In the past the railroads have contended that the figure set for a living wage was theoretical. They have stated that it did not represent the conditions surrounding their own employees.

We have endeavored to avoid any such abstract **approach** to the question by starting out with the actual expenditures of such railroad shop employees as were willing to keep complete **itemized** accounts. It should be stated that the keeping of these accounts was far more complicated than the average household account because the housekeeper was asked to keep a record of the weight of every item of food purchased, whether this food came in bunches, boxes, pecks, or what not.

The figures which I am going to present here in evidence are based upon reports covering every month of the year 1921. Two hundred and *fifty-four* reports are used, or an average of 21 per month. These families are pretty

well distributed over the country. They were in no sense selected.

The number of returns fell to a low level in the summer months due to the real discouragement of the families which had made reports covering the six months from December 1920 to May 1921. They had counted upon the maintenance of their wages, and when these were reduced by unemployment and by Decision 147, many wrote in that there seemed no use in keeping a record of the perpetual deficit.

It is argued that the railroads must meet their fixed charges. The general rule in business is that a concern which cannot meet its fixed charges is bankrupt. It seems to us that a healthful standard of living for his family represents a man's fixed charge. Failure to meet this means the reallest kind of bankruptcy. It will mean eventual physical and moral bankruptcy to the Nation. As Mr. John D. Rockefeller, Jr. has pointed out:-

"In order to live the wage earner must sell his labor from day to day. Unless he can do this, the earnings from that day's labor are gone forever. Capital can defer its returns temporarily in expectation of future profits, but labor cannot. If, therefore, fair wages and reasonable living conditions cannot otherwise be provided, dividends must be deferred or the industry abandoned."

We wonder why this principle receives no recognition in industry today.

During the autumn months we were able to secure more returns.

The families were in no sense selected, except to the extent of an attempt to have them as representative as possible. As a matter of fact, the work of keeping up such reports is so difficult that we were grateful for such as could be secured. In these returns we have a true picture of the purchasing power of real railroad families.

Average Size Of Families.

The families average slightly over five persons per family. For purposes of comparison with scientific food requirements it is necessary to express these families in terms of equivalent adult males. As each family reports the total membership together with the ages of children, it is possible to do this. Taking the year as a whole the families can be expressed as 3.83 adult males. This contrasts with the standard family usually taken in the preparation of food budgets, which is equal to 3.35 adult males. This standard family consists of a man, wife and three children aged 2, 6 and 12 years respectively. The average family reported on our income and expenditure blanks differs from the standard family both in number of members and in the average age of children. This accounts for the difference between 3.83 and 3.35 equivalent adult males.

Average Income and Expenditure During Year 1921.

For the purpose of arriving at an idea as to the justice of present rates of pay, the most important figures are those showing what the families were able to purchase in terms of quantities. But before returning to this side of the budget, I want to call attention to the average financial balance sheet. It must be borne in mind that Decision 147 divided the year in two halves.

Average Income and Expenditure for Year 1921
(Based on 254 Monthly Returns)

	<u>Itemized</u>	<u>Total.</u>
<u>Expenditures</u>		\$ 1989.64
Food	\$602.71	
Clothing	257.18	
Housing	314.10	
Fuel and Light	109.82	
House Furnishings	113.95	
Miscellaneous	591.56	
<u>INCOME</u>		\$ 1935.50
From Railroad	\$ 1795.49	
Other Income	140.01	

It should be noted that practically the whole income of these families comes from railroad employment. Income from other sources averages less than \$12.00 per month and generally represents boarders or lodgers. Evidently the father is the only wage earner. This is as it should be, for an analysis of the personnel shows only 28 out of the total of 254 returns come from families with children over 16 years of age.

This income from railroad employment falls short by nearly \$200 per year of the actual amount which these families spent, and I will show clearly in the next set of tables that their expenditure fell far short of securing the necessary supply of food.

You will find a full detailed analysis of each budget return, secured by the Railway Employees Department, in ~~the~~ ^{not} appendix to my argument. These tables are unusually interesting as they are records of the struggles of American Railroad families to make both ends meet.

Families Unable To Secure Sufficient Food

Now that we have glanced at the actual money income and expenditure of these families, I want to take the expenditure for food, an average of \$602.71 for the year, and express it in terms of the actual quantities of food actually obtained. These figures

as to the amount of food secured will be found elaborately worked out for each budget in table IV ~~of the~~ ^{no I} appendix covering these reports. At this time, I will only consider in a summary form the data there given in full, first taking up the year as a whole ~~and~~ then comparing the separate months.

The following table shows the average quantity of each class of food purchased by these families, and in parallel columns the quantity necessary for mere subsistence at the danger line according to Professor M. E. Jaffa, and the quantity necessary for a healthy life in the case of families where the man is doing heavy work. The standard budgets are referred to the same size family (3.83 adult males).

AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

(AMOUNTS SHOWN ARE AVERAGE MONTHLY QUANTITIES PER FAMILY OF 3.72
ADULT MALES BASED ON SHOP CRAFT REPORTS FOR ENTIRE YEAR)

- 1921 -

POUNDS

250

200

150

100

50

0

250

200

150

100

50

0

250

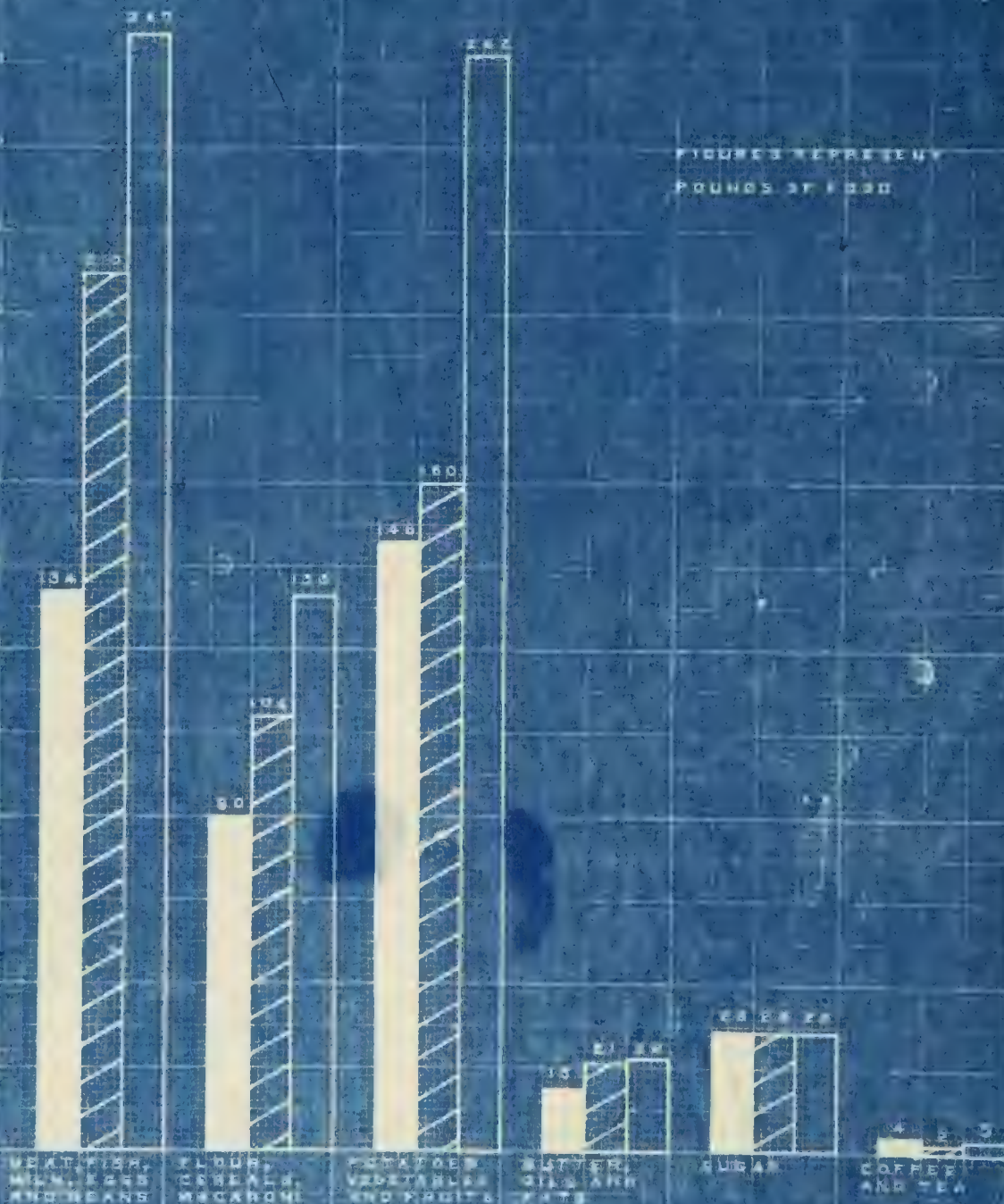
200

150

100

50

0



FIGURES REPRESENT
POUNDS OF FOOD

SOLID BAR QUANTITY ACTUALLY PURCHASED AT EXISTING WAGE RATES
HATCHED BAR QUANTITY NECESSARY TO MAINTAIN HEALTHY LIFE (OFFICE SURVEY)
DOTTED BAR QUANTITY NECESSARY TO MAINTAIN HEALTHY LIFE AND DECENT
NATURAL HOME (U.S. EMPLOYERS' DEPT. BUDGET)

FOOD ACTUALLY PURCHASED BY SHOPIAN'S
FAMILIES COMPARED WITH MINIMUM REQUIREMENTS
AVERAGE PER MONTH FOR YEAR 1921.

(All figures are for 3.82 adult males)

ITEMS	POUNDS ACTUALLY PURCHASED	POUNDS RE- QUIRED JAFFE Budget	POUNDS REQUIRE RY. EMP. DEPT. BUDGET
Meat, Fish, Milk Eggs & beans	134.16	\$ 209.8	267
Flour, Cereals, Rice, etc.	79.57	103.7	133
Potatoes, Vege- tables & Fruits	145.65	159.6	262
Butter, Oils and Fats	14.63	20.5	22
Sugar	28.63	28.5	29
Coffee & Tea	3.81	2.3	3.2

A glance at the accompanying chart will
show the shortage in essentials under present
rates of pay in a graphic manner.

These simple facts show that the railroad industry is not paying its shop employees a living wage. With prices prevailing during the year 1921, mechanics in railroad shops were able to purchase only about 64% of the meat, fish, milk and eggs necessary to maintain their actual families at the lowest level of safety. They were able to purchase only 77% of the necessary cereal foods, only 91% of the necessary vegetables and fruits and only 71% of the necessary butter, fats, and oils. In sugar alone were they able to come up to the minimum. All these comparisons are made with Professor Jaffa's budget. Reference will be made to the other budget later.

It cannot be too strongly emphasized that the quantities shown as necessary in connection with each class of foods are absolutely essential. Although families may appear to subsist on less, the results will appear in the future, as will be pointed out in a later part of our presentation. In other words the deficit in railway wages does not appear in dollars and cents. it appears in a shortage in food, in pounds of meat, milk, eggs, vegetables and fats.

This is as truly a deficit of the railroad industry as would be failure to meet interest on bonded indebtedness. It may be expressed in terms of nourishment somewhat as shown in the following table.

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Deficit in Railroad Industry

for year 1921

Pounds

Deficit in meat, fish, milk and eggs	
consumed per employee ^{family} per month - - - - -	75½
Deficit in flour, cereal foods and rice	
consumed per employee family per month - - - - -	24
Deficit in potatoes, vegetables and fruits	
consumed per employee family per month - - - - -	14
Deficit in butter, oils and fats consumed	
per employee family per month- - - - -	6
Deficit in sugar consumed per employee	
family per month - - - - -	0

The results of such a deficit in terms of the general physique of the country and also in terms of the efficient operation of the railroads are sufficiently obvious. If an industry cannot meet its first fixed charge, the payment of a healthy livelihood to its employees, it is indeed bankrupt. I will refer you to an extended quotation from Professor Jaffa which we have reprinted in ^{no II.} ~~the~~ Appendix. He explains that this budget, with which we are making our comparison, represents the danger line below which it is precarious to go. Professor M. E. Jaffa of the College of Agriculture, University of California is a Specialist in the matter and speaks with authority.

I wish to refer to this deficit again, not in terms of the individual employee but in terms of the whole industry. If we assume that approximately 180,000 railroad shopmen have families

to support (and that is a minimum estimate based on the proportion of married men to the total of men over 15 in the country) then the deficit in food is enormous. It amounts to:

	<u>Pounds</u>
Deficit in meat, fish, eggs and milk, per year -	162,000,000
Deficit in flour, cereals and rice - - - - -	51,860,000
Deficit in potatoes, vegetables and fruits - - -	30,240,000
Deficit in butter, oils and fats - - - - -	12,960,000

Without, for the time being, referring to the hundreds of thousands of workers throughout all other industries, I wish to submit that here is a purchasing power for farm products which ought to exist and which would go far toward assisting in the recovery of the farmer's economic position.

Consideration of Food Purchases Month by Month

In the appendix covering the returns from our family income and expenditure blanks will be found full analysis of the return for each month of 1921. For the actual pounds purchased during the various months I will refer you to those tables. Here I will only call attention to the percentage of requirements which it was possible for the railroad mechanic to secure during each month.

The following table shows in condensed form these percentages for each class of food for each month.

Percentage of Minimum Requirements in Food Quantities
Secured by Families of Railroad Mechanics.

1921

Month	Meat, Fish, Milk, Eggs and Beans	Flour: Cereals: Macaroni Rice	Potatoes, Vegetables, and Fruits	Butter, Oils and Fats	Sugar	Coffee and Tea
January	59%	71%	74%	69%	77%	192%
February	61	69	81	58	111	129
March	57	61	66	70	96	191
April	55	70	65	75	93	146
May	63	71	63	51	100	161
June	63	69	93	57	141	158
July	77	91	116	62	106	148
August	63	106	138	77	102	192
September	62	89	153	92	122	164
October	67	74	113	75	109	169
November	59	69	105	82	85	202
December	79	89	57	79	74	148

I have had the quantity of each class of food purchased as contrasted with the requirements charted for each month in order to make the story easier to grasp. If you will glance at these charts, or at the figures on the preceding table you will find other matters of interest beside the important picture of almost constant shortage.

With the exception of the Potato, Vegetable and fruit group, the families appear to secure about a certain proportion of the foods in each group. With slight variations this proportion tends to persist throughout the twelve months.

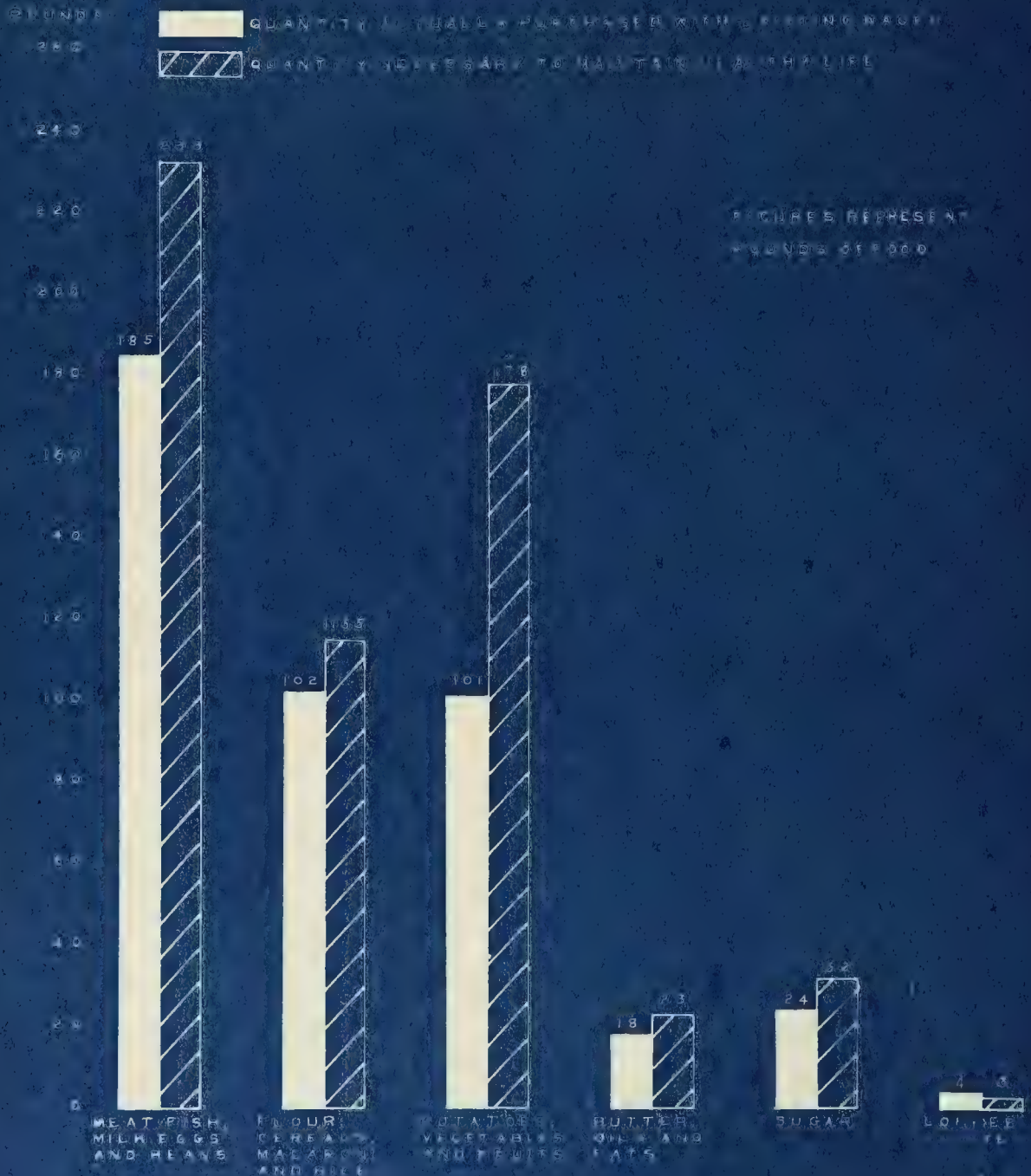
If we consider the group of foods classed under Potatoes, Vegetables and fruits, we find a very large increase in the purchases during July, August, September, October and November, followed by a very great falling off with the return of winter. This shows clearly how these returns respond to the natural conditions which surround the families. These are, of course, the months when fresh vegetables are available and cheap. when people put in potatoes, apples, canned fruits, etc. for the winter months.

In this connection I might mention that the September fruit and vegetable item is probably too high, if we are to conform rigidly to food quantities. It includes one budget with a suspicious 750 odd pounds of grapes.

AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

AMOUNTS SHOWN ARE AVERAGE FOR FAMILY OF 3.25 PERSONS WITH 2 BASED
ON 1933 CRAFT REPORTS FOR MINIMUM

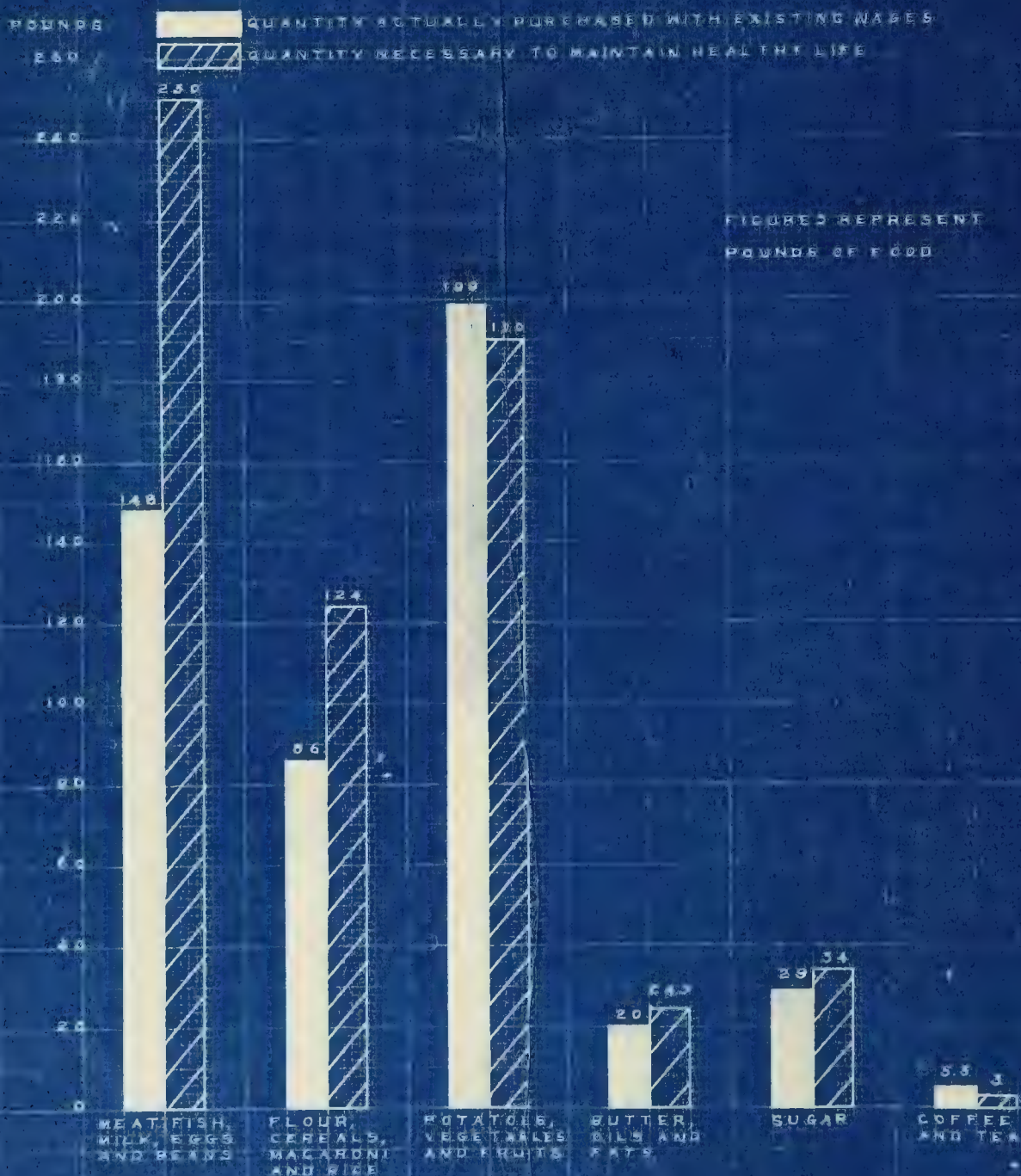
- DECEMBER, 1921 -



AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

(AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF 4.55 ADULT MALES BASED
ON SHOP CRAFT REPORTS FOR MONTH)

- NOVEMBER 1921 -

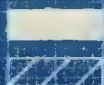


AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

(AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF 4.14 ADULT MALES BASED ON SHOP CRAFT REPORTS FOR MONTH)

- OCTOBER 1921 -

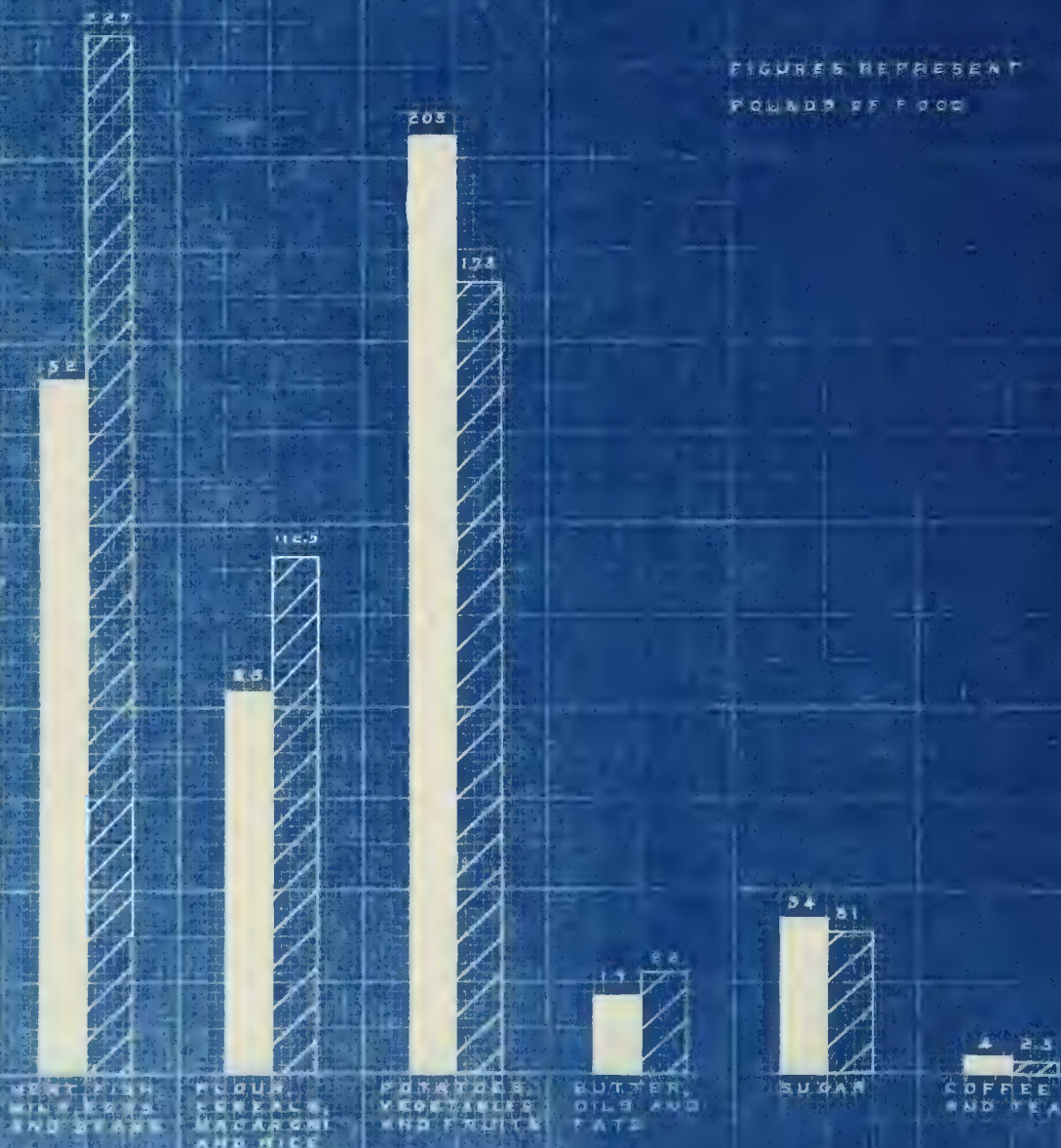
POUNDS



QUANTITY ACTUALLY PURCHASED WITH EXISTING WAGES

QUANTITY NECESSARY TO MAINTAIN HEALTHY LIFE

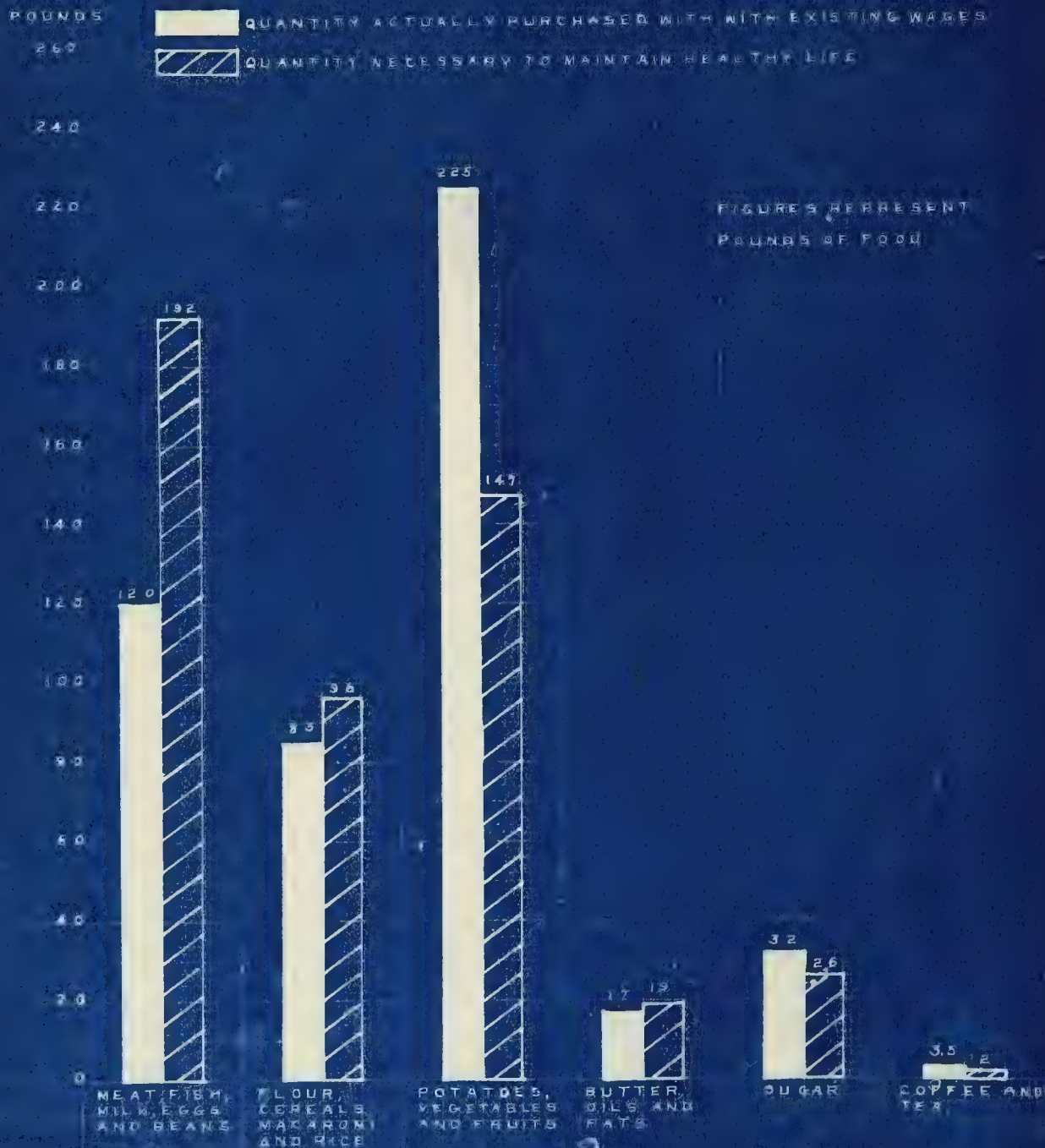
FIGURES REPRESENT
 POUNDS OF FOOD



AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

(AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF 3.52 ADULT MALES BASED ON SHOP CRAFT REPORTS FOR MONTH)

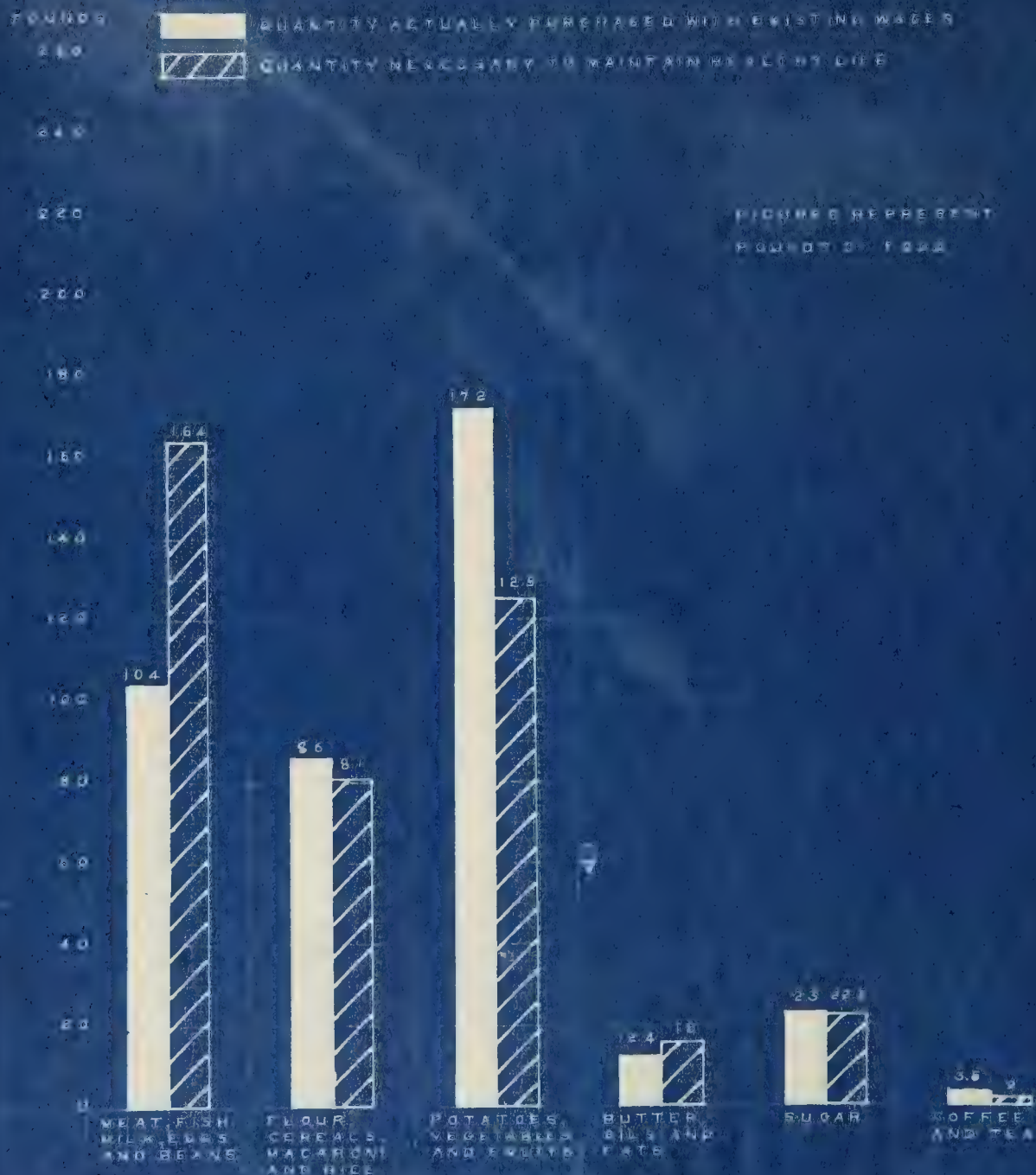
-SEPTEMBER, 1921-



AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF 2.79 ADULT MALES BASED
 ON SHOP CRAFT REPORTS FOR MONTH

- AUGUST 1921 -



AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF 3.2 ADULT MALES BASED ON SHOP CHECKS REPORTED FOR MONTH

- JULY, 1921 -

POUNDS



QUANTITY ACTUALLY OBTAINED UNDER EXISTING WAGES

QUANTITY REQUIRED BY MINIMUM REQUIREMENTS

240

220

200

180

160

140

120

100

80

60

40

20

0

MEAT, FISH,
MILK, EGGS,
FRUIT, VEGETABLES

FLOUR,
CEREALS,
MALT, HONEY,
AND RICE

POTATOES,
SWEET POTATOS,
AND PASTURE

BUTTER,
OLIVE OIL,
FATS

SUGAR

COFFEE
AND TEA



AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF 3.40 ADULT MALES BASED
 ON SHOP GRAFF REPORTS FOR MONTH

- JUNE, 1921 -

POUNDS

260

240

220

200

180

160

140

120

100

80

60

40

20

0

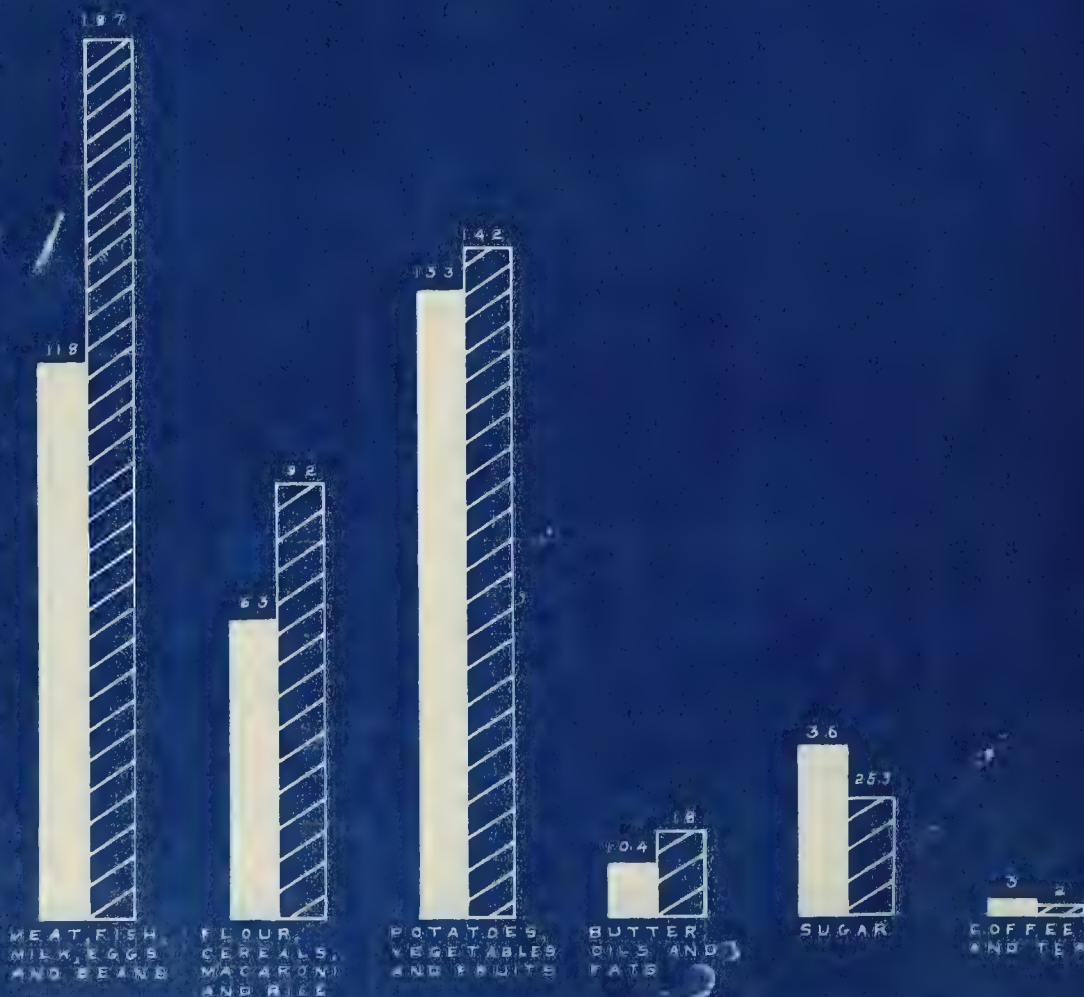


QUANTITY ACTUALLY PURCHASED WITH EXISTING WAGES



QUANTITY NECESSARY TO MAINTAIN HEALTHY LIFE

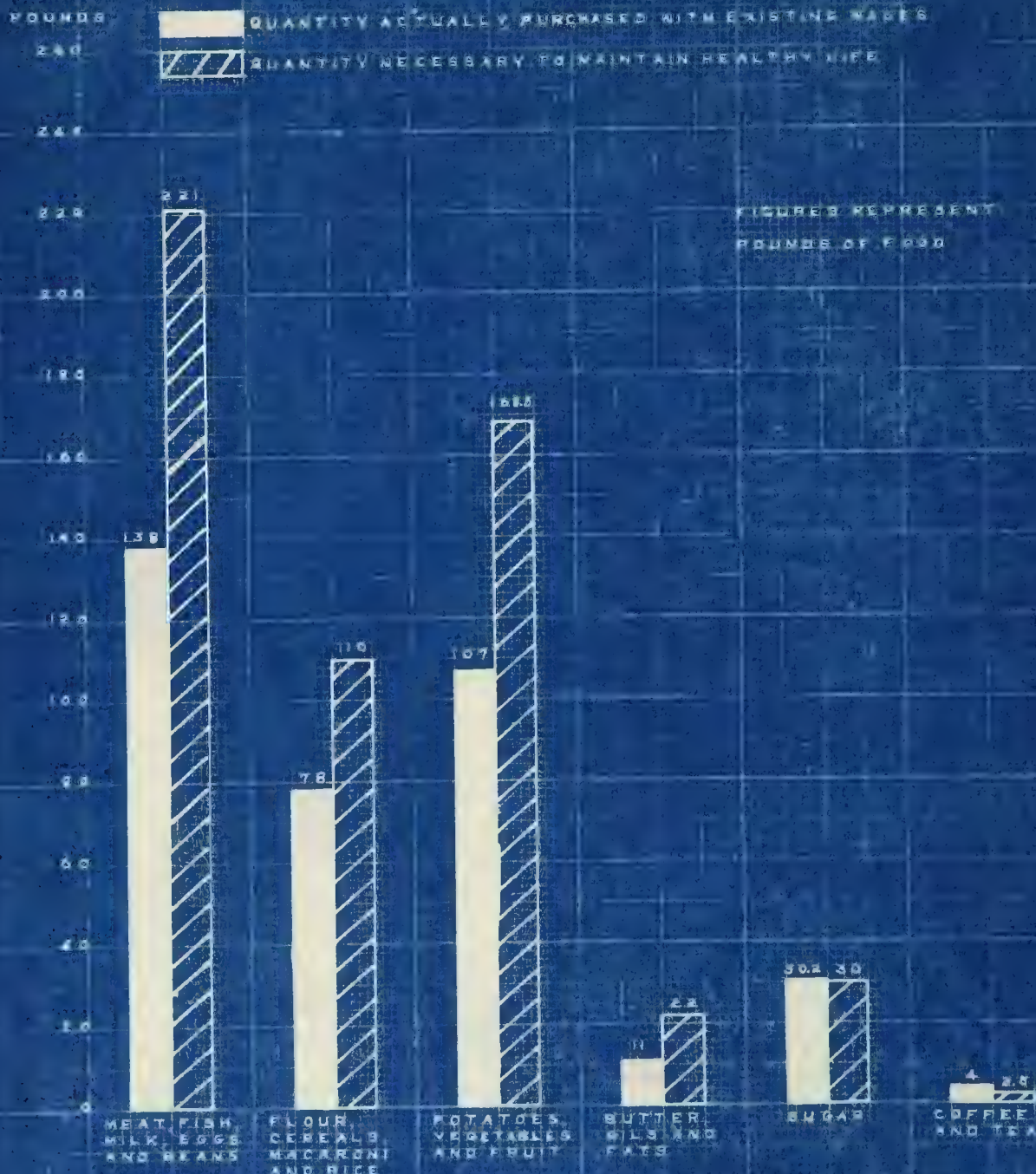
FIGURES REPRESENT
 POUNDS OF FOOD



AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF 4.00 ADULT MALES BASED
ON SHOP CRAFT REPORTS FOR MONTH

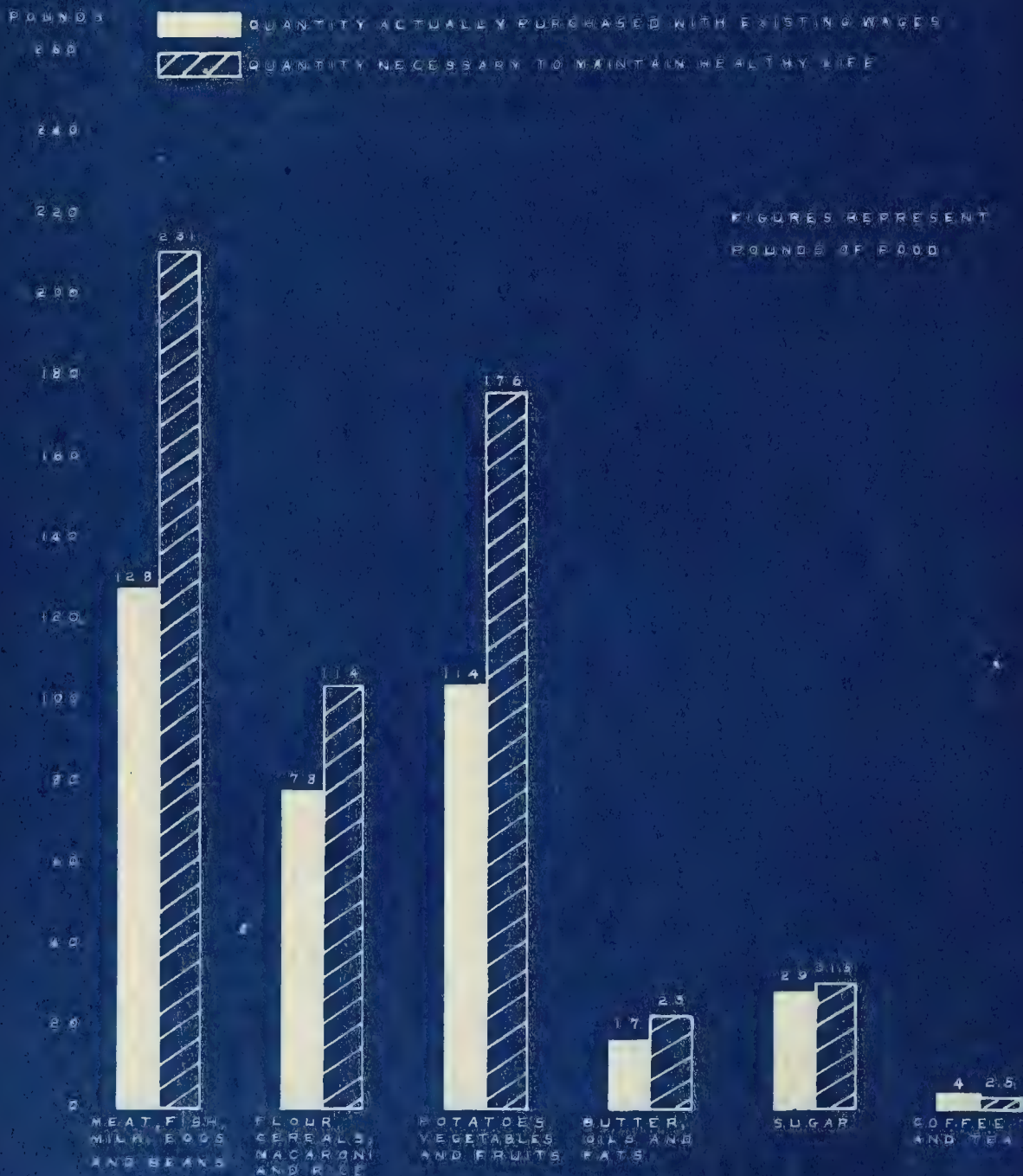
~ MAY, 1921 ~



AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF 4.21 ADULT MALES BASED
 ON SHIP CRAFT REPORTS FOR MONTH

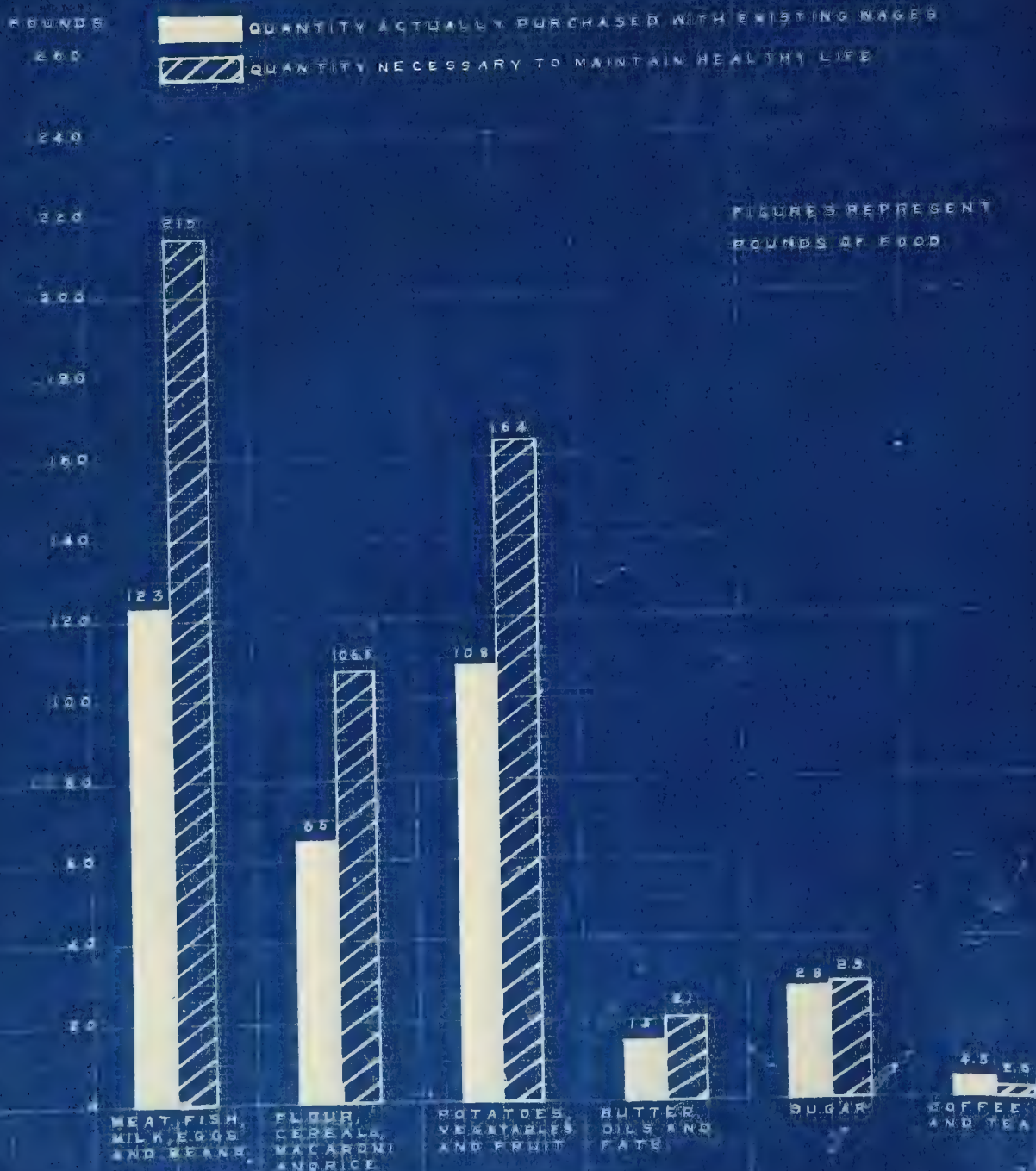
- APRIL, 1921 -



AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

(AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF 2.22 ADULT MALES BASED
 ON SHOP CRAFT REPORTS FOR MONTH

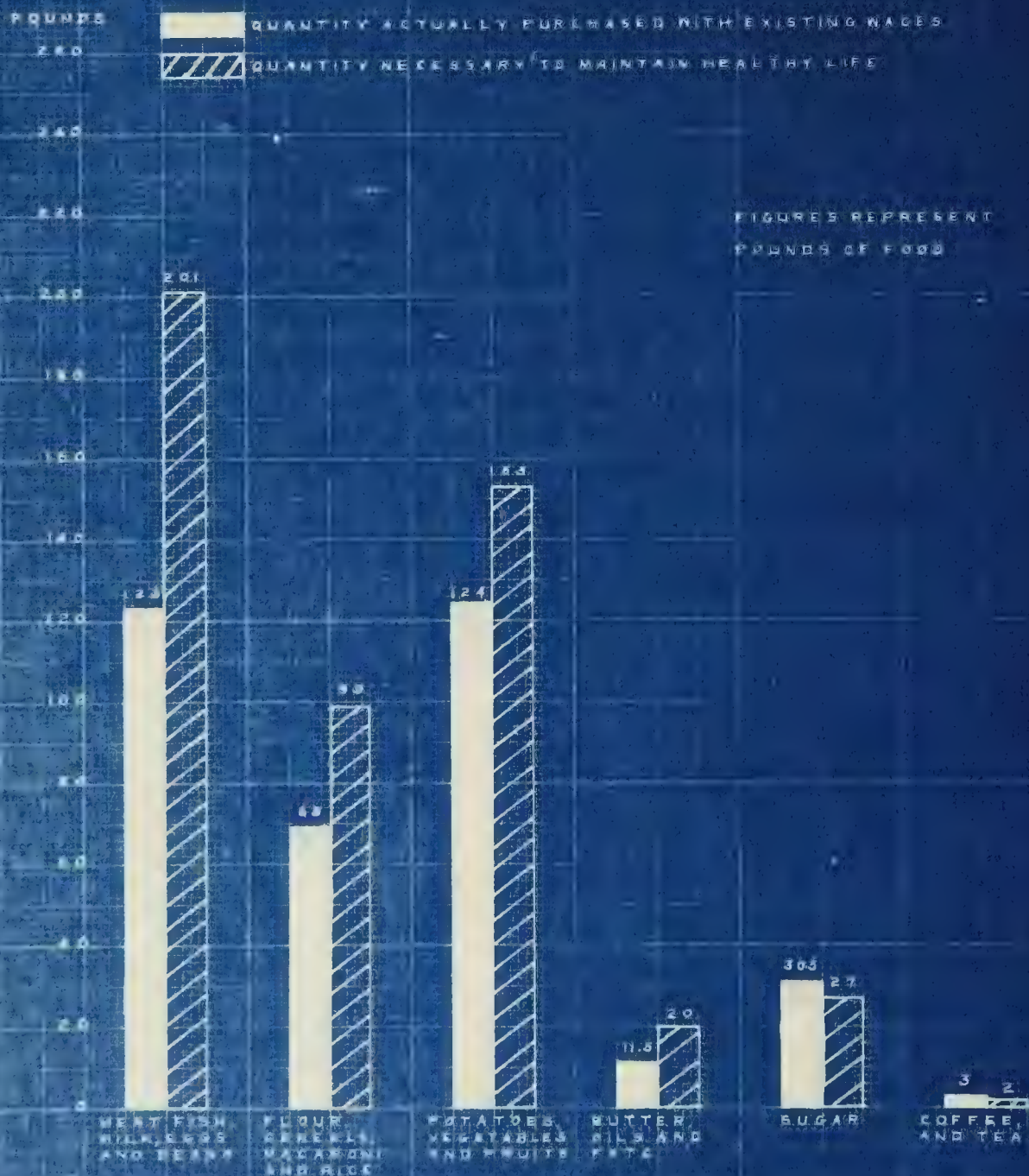
- MARCH, 1921 -



AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF 3.66 ADULT MALES BASED
 ON SHOP CRAFT REPORTS FOR MONTH

- FEBRUARY, 1921 -



AMOUNT OF FOOD SECURED UNDER EXISTING WAGE RATES COMPARED WITH MINIMUM REQUIREMENTS

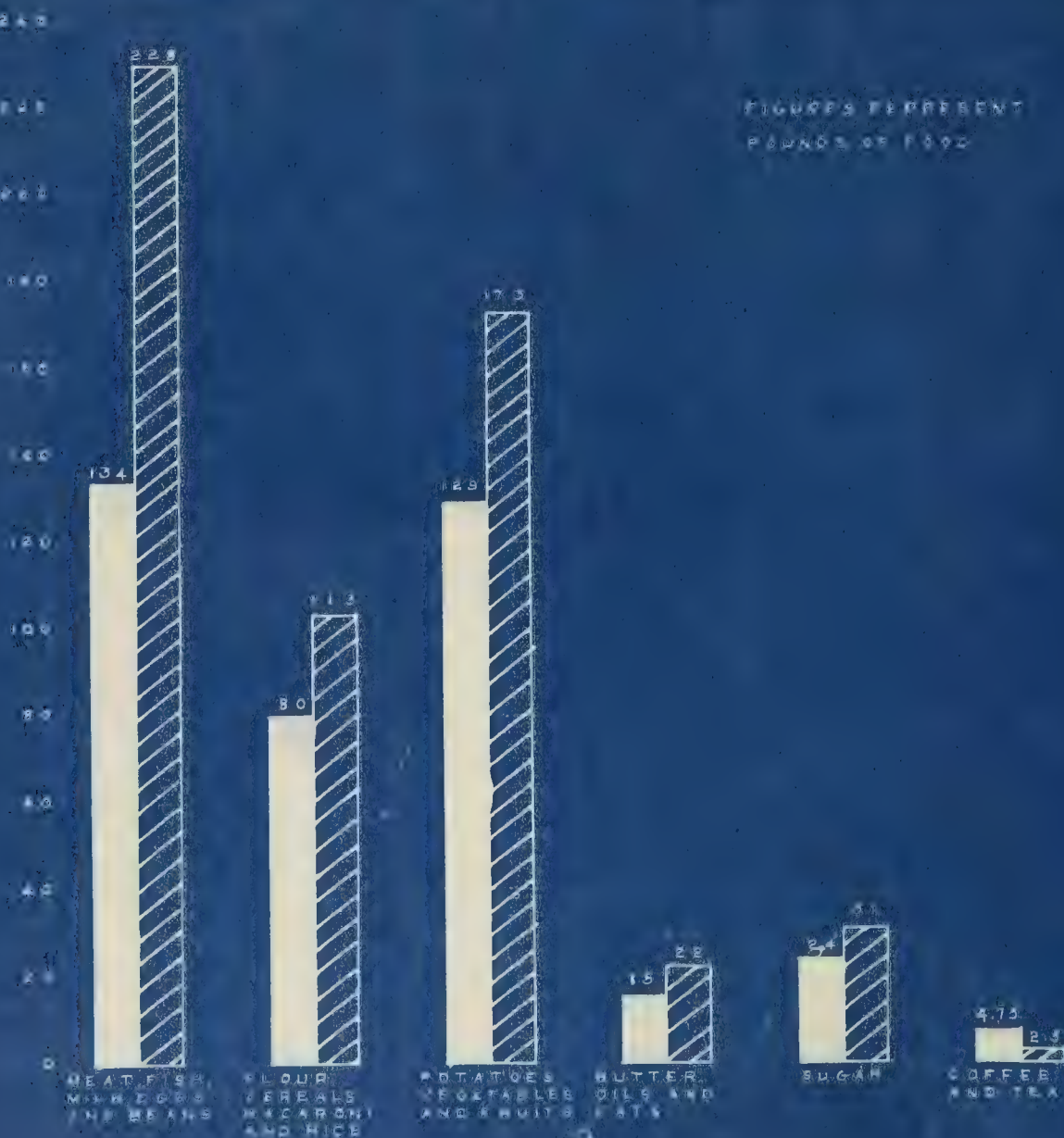
(AMOUNTS SHOWN ARE AVERAGES PER FAMILY OF FOUR ADULT MALES BASED
ON 1920 CRAFT REPORTS FOR MONTH)

- JANUARY, 1921 -

POUNDS
280
260
240
220
200
180
160
140
120
100
80
60
40
20
0

■ QUANTITY ACTUALLY PURCHASED WITH EXISTING WAGES
▨ QUANTITY NECESSARY TO MAINTAIN HEALTHY LIFE

FIGURES REPRESENT
POUNDS OF FOOD



Glancing at the financial side of these budgets to find out how these extra expenditures for winter vegetables and fruits are balanced in the budget we find ~~that~~ quite naturally fuel and light costs are very much lower in the Summer months, the average expenditure for the Winter months, December to March, inclusive, being \$12.83 per month as contrasted with \$5.92 per month during the Summer months, June to September inclusive.

Utter Inadequacy of Present Wages.

In other words these expenditure reports do appear to reflect with rough accuracy the living which our members can secure with present railroad wages. And no unprejudiced person can call it adequate. Insufficient food is afforded. That is the first condemnation of present wage rates contained in these reports. But beyond the vital matter of food there are many other matters vital to a satisfactory life which are impossible with the present wage rates.

For instance, Mr. Chairman, in order to procure sufficient food and other essentials, these families must cut down expenditure for clothing to an average of \$257.18. Now that will purchase little more than one-half of the minimum requirements specified in the United States Department of Labor budget, and I think we will be able to show you the inadequacy of the standards set there. The whole standard is very low.

Such a low standard means that this great industry does not at present afford its mechanics a living wage; it means that present wage rates are unjust and unreasonable to that extent.

Before turning to the next point in my discussion I want to repeat what I said to the Board nearly a year ago.

Wages are not to be reckoned in Dollars and Cents.

Wages are the lifeblood of the nation as it is at present organized. Wages are not money, they are not dollars and cents, they are pounds of life blood which flows out to nourish the body of the people. A reduction in wages does not mean a reduction in dollars and cents, it means a reduction in pounds of nourishment to the bodies of citizens. A twenty per cent reduction in wages means withholding from millions of families one fifth of the pounds of nourishment which they would otherwise receive. Agencies given power to determine wage levels have no monetary problem. They are rationing the chief part of the population. There can be only one consideration. It is this. Can any of the goods that wages will now buy be taken away without injury to the body and soul of the nation? Consideration on this basis will lead inevitably to the conclusion that the present budget of the wage earners cannot be pared down. It will lead rather to the conclusion that

the purchasing power of the employees of the railroads must be immediately increased. Advocates of wage reduction must determine what goods which the employes now purchase shall in the future be denied them.

Toward a fair living Standard.

You will probably have gathered that we feel that one question is really relevant to this hearing. And that has always been the one which management steers clear of. We have felt their opposition to attempt to deal with the finances of the industry, and yet they appear more ready to deal with the ability of the carrier to pay than they are with the ability of their employees to secure a comfortable and healthy life. Personally we feel that the question as to what commodities railroad employees are entitled to is far more to the point than the fact that many employers can be found paying wages which disgrace and condemn our industrial system.

Mr. Whiter has stated before the board that the railroads expect their employees to look forward to an improvement in their standard of living. So long as the parties to this case deal only in money wages without translating them into the commodities which they will buy, the best that can be hoped for will amount to a perpetuation of the low standards of the past. For that reason we propose that the present case be settled in terms of real wages, that is, in terms of the actual commodities which are essential to the existence and comfort of a family.

After considerable study, we have prepared a food budget which we feel to be necessary. In the other groups of commodities, clothing, house furnishings and the like we follow the U. S. Department of Labor Budget, although we do not feel that it is ⁱⁿ any sense adequate. It is no small job to work out a budget which will guard a family against want of essentials, at the same time avoiding extravagance. So for the present we have devoted attention to the problem of adequate nourishment which is the center of a budget.

Several Food budgets exist, most of them more or less theoretical in character. The food quantities of the Department of Labor Budget are derived by averaging from several hundred actual family expense accounts. Such a method spreads the food over the whole range of tastes of this large number of families, thus getting a large variety of foods in relatively small quantities. The food budgets of the ~~National~~ Industrial Conference Board are based on the idea that the working class should be limited to the cheaper cuts of meat and the cheaper ^{meats}. We do not accept that theory.

After attempting to make a series of menus out of various budgets, we decided to begin with a series of menus and so, to work from actual meals planned for a single family toward an annual quantity budget.

Preparation of Railway Employees' Department Budget.

Analysis of the monthly expenditure blanks, already described, had established certain general ideas as to the kinds of food preferred by our membership. Although in general the cheaper cuts appear in these expense accounts, there are numerous instances in which necessary quantity is sacrificed in order to procure the more desirable cuts. These budgets served in some sort as a guide to the tastes of these families. The problem was to plan menus for a pay roll period which would follow these general lines, and which would also make possible purchase of occasional good cuts without any sacrifice of quantity.

Our method of procedure was to prepare such a menu for the wage earner of the family and then to extend it to include the other members of a normal family.

In the first place it was necessary to determine certain standards as to quantity. Food budgets planned for men doing moderate work are generally based on about 3600 calories. The number of calories necessary jumps very rapidly as work becomes heavier. Graham Lusk in his book called "Food in War Time" gives the following requirements for a man doing heavy muscular work during the day:-

	:	Calories
Sleeping 8 hours at 70 calories per hour	7	560
	:	
Awake 16 hours at 77 calories per hour	:	1232
	:	

		: Calories
Add for heavy work 8 hours at 378 calories:		:
	per hour	: 3024
Total calories per day		: <u>4916</u>

**Dr. Lusk further states that this would not include the energy expended in walking to and from work.

Mr. B. Seebohm Rowntree, the well known British Manufacturer, in his book on "The human needs of Labor," says that men doing exceptionally hard work and exposed to severe weather require up to 6400 calories of fuel energy daily.

The general run of car and locomotive repair work must be classed somewhere between moderate and heavy. There is a considerable amount of exposure connected with it. We adopted 4140 calories as the minimum daily consumption necessary to keep up the health and efficiency of railroad mechanics. Experts allow for a waste of about 10% in cooking and digestion. Our budget was therefore, based on the purchase of 4600 calories of food per day for the wage earner of the family, and the following menu for a pay roll period was planned on that basis. The meals are carefully arranged to give in proper proportions the various essential classes of food.

 (* Dr. Lusk is Professor of Physiology
 at Cornell University Medical College.)

MENU PREPARED FOR RAILROAD SHOP MECHANIC

MONDAY - Breakfast

2 shredded wheat biscuits with milk and sugar, 2 pieces of sausage, 2 slices of french toast with butter and jam, 2 cups of coffee.

Lunch

2 roast beef sandwiches and a cheese sandwich, 2 doughnuts, 2 apples and 2 cups of coffee.

Dinner

2 pork chops, 3 small potatoes, a dish each of cooked cabbage and beets, 2 slices of bread and butter, a big dish of rice pudding with sugar and milk and a cup of coffee.

TUESDAY - Breakfast

2 pieces of sausage and six pancakes with butter and syrup, 2 cups of coffee.

Lunch

A bologna, a cheese and a jam sandwich, 2 doughnuts, 2 apples and 2 cups of coffee.

Dinner

Stew made of 2 pieces of meat, carrots, onions, cabbage and potatoes, 8 stalks of celery, a dish of cooked tomatoes, $\frac{1}{4}$ of a pumpkin pie and a cup of coffee.

WEDNESDAY - Breakfast

1 banana with milk and sugar, roast beef hash with with a fried egg, 3 pieces of toast with butter and 2 cups of coffee.

Lunch

2 ham sandwiches, a peanut butter sandwich, cucumber pickles, $\frac{1}{2}$ lb of grapes, a piece of chocolate cake and a cup of coffee.

Dinner

2 lamb chops ($\frac{2}{3}$ lb) 2 small potatoes creamed, a dish of peas, a dish of carrots, 3 slices of bread and butter, a dish of rice pudding with raisins, sugar and milk, a cup of coffee.

MENU PREPARED FOR RAILROAD SHOP MECHANIC

THURSDAY - Breakfast

Big dish of corn flakes with sugar and milk,
2 soft boiled eggs, 2 browned potatoes.
3 slices of toast with butter and 2 cups
of coffee.

Lunch

2 sausage sandwiches and a cheese sandwich,
an apple, a banana, 2 doughnuts and 2 cups
of coffee.

Dinner

1/2 lb hamburger steak, 3 potatoes creamed,
dish of buttered beets, 8 stalks of celery,
3 slices of bread and butter, 1/4 pumpkin
pie and a cup of coffee.

FRIDAY - Breakfast

Big dish of rice with milk and sugar,
2 scrambled eggs, 4 baking powder biscuits
with butter and honey, 2 cups of coffee.

Lunch

1 cheese sandwich, 2 sardine sandwiches,
2 apples and a piece of cake.

Dinner

1/2 lb fried salmon, 3 small potatoes
mashed, 4 onions creamed, lettuce and celery
salad, a slice of bread and butter, 1/4
apple pie 1 cup of coffee.

SATURDAY - Breakfast

1 dish of prunes, 2 fried eggs with four
slices of bacon, 2 browned potatoes, 2 pieces
of toast and butter, 2 cups of coffee.

Lunch

1 minced ham, 1 cheese and 1 peanut butter
sandwich, cucumber pickles, 1 orange, 1/4
mince pie, 2 cups of coffee.

Dinner

3/4 lbs beef steak, 3 potatoes mashed, 1 dish
of carrots, 1 dish of string beans, 3 slices
of bread and butter, 2 baked apples with sugar
and milk, 1 cup of coffee.

MENU PREPARED FOR RAILROAD SHOP MECHANIC.

SUNDAY - Breakfast

1 dish of apple sauce, $\frac{1}{4}$ lb fried ham and an egg, 4 baking powder biscuits with butter and honey, 2 cups of coffee.

Dinner

1 lb roast chicken, 2 sweet potatoes, $\frac{1}{3}$ cup peas, lettuce and tomato salad, 2 slices of bread and butter, a dish of canned peaches and a cup of coffee..

Supper

$\frac{1}{4}$ lb canned salmon, fried potatoes and 2 slices of bread and butter, a dish of apple sauce, a piece of cake, and a cup of coffee.

MONDAY - Breakfast

Big dish of grape nuts with milk and sugar, 2 poached eggs, 3 pieces of toast and butter, a dish of prunes and 2 cups of coffee.

Lunch

2 cheese sandwiches and a salmon sandwich, 1.4 lb grapes, $\frac{1}{4}$ mine pie and 2 cups of coffee.

Dinner

3 thin slices of canned beef 3 small potatoes 2 small dishes of cabbage, lettuce and onion salad, 3 slices bread and butter a cup of custard a piece of sponge cake and a cup of coffee.

TUESDAY - Breakfast

Big dish of corn flakes with milk and sugar 2 eggs and 4 slices of bacon, 3 corn meal muffins with butter and 4 tablespoons of marmalade, 2 cups of coffee.

Lunch

2 Sausage sandwiches and a cheese sandwich, cucumber pickles, an orange 3 doughnuts and 2 cups of coffee.

Dinner

$\frac{1}{4}$ lb of liver and bacon $\frac{1}{4}$ lb, 4 fried onions 3 small potatoes, dish of cauliflower, 2 slices, of bread and butter, a dish of bread pudding with raisins, sugar and milk and a cup of coffee.

100

MENU PREPARED FOR RAILROAD SHOP MECHANIC

WEDNESDAY - Breakfast

Big dish Pettijohn's breakfast food with milk and sugar, 2 poached eggs, 3 slices of toast with butter, a dish of apricots and 2 cups of coffee.

Lunch

Six slices of bread and butter with 4 oz can sardines, cucumber pickles, an apple, a banana, a piece of cocoanut cake and 2 cups of coffee.

Dinner

3 thin slices (2/5 lb) of lamb or veal, 3 small potatoes with gravy, 1 dish buttered beets, 1 dish peas, 3 slices of bread and butter .. 1/4 lemon pie and a cup of coffee.

THURSDAY - Breakfast

2 fried eggs with 4 thin slices of bacon, 4 baking powder biscuits with butter, 2 cups of coffee.

Lunch

2 roast lamb sandwiches, a jam sandwich, 3 doughnuts, an orange, a banana and 2 cups of coffee.

Dinner

2 thin slices of pot roast (1/2 lb) 3 small potatoes, a dish of creamed onions lettuce and celery salad, 2 slices of bread and butter, 2 baked apples with sugar and milk and a cup of coffee.

FRIDAY - Breakfast

Dish of rolled oats with milk and sugar, 2 scrambled eggs, 2 slices of toast with butter, 2 doughnuts, and 2 cups of coffee.

Lunch

2 pork chop sandwiches, a chesse sandwich, 1/4 apple pie, an orange and 2 cups of coffee.

Dinner

1 piece of beef steak (1"x5"x3 1/2" - 3 lb), 3 small potatoes mashed, a dish of peas, a dish of carrots, 2 slices of bread and butter, 1/4 of lemon pie and a cup of coffee.

MENU PREPARED FOR RAILROAD SHOP MECHANICSATURDAY - Breakfast

6 corn meal pancakes with butter and syrup,
2 soft boiled eggs, and 2 cups of coffee.

Lunch

2 sardine sandwiches and a jam sandwich,
pickles, an orange, 1/4 raisin pie, 2 cups
of coffee.

Dinner

1/2 lb salmon, 2 sweet potatoes, 4 creamed
onions, lettuce and cucumber salad, 2 slices
of bread and butter, 2 baked apples with sugar
and milk and a cup of coffee..

SUNDAY - Breakfast

Big dish cream of wheat with milk and sugar,
2 eggs, and 1/4 lb fried ham, 2 slices toast
with butter and 2 cups of coffee.

Dinner

3 slices roast beef (4 1/2"x4") 1/2 lb, 3 small
potatoes, a big dish of turnips, lettuce and
celery salad, 3 slices of bread and butter
1/4 apple pie and a cup of coffee.

Supper

2 thin slices roast beef, 3 pieces of bread
and butter, 1 dish of canned peaches, a piece
of layer cake (3 1/2"x1 3/4"x1 1/2") and a glass of milk.

MONDAY - Breakfast

Big dish of apple sauce, omelet with 2 eggs
and 1/6 lb of chopped ham, 2 slices of creamed
toast with butter, 2 cups of coffee.

Lunch

A cheese, a bologne and a peanut butter sandwich,
pickles, a piece of chocolate cake (size as above)*
2 apples and 2 cups of coffee.

Dinner.

Big dish of baked beans, salt pork and ketchup.
8 stalks of celery, a dish of squash, 2 slices
of bread and butter, a dish of apple sauce,
2 cup cakes and a cup of coffee.

4 3

This budget does not entirely avoid the better cuts of meat. And yet it is not an extravagant set of meals. The cheaper cuts are used and beef steak appears only once in the period. It is planned that the lunches shall be put up at home. To many they will appear rather unusual, but not to the man familiar with railroad shops.

The entire family budget is founded on the quantities shown here for the man. The rest of the family was provided for in the following percentages of 3500 calories, (a) wife 90%, (b) 12 year boy, 90%, (c) 6 year old girl, 40%, (d) 2 year old boy, 15%. In extending the meals to the rest of the family on this basis certain adjustments were made. Lunches were planned as entirely different, consisting of soups, croquettes, etc., The children would have more milk and cocoa in place of coffee.

If you will turn to ^{no. III} ~~the~~ appendix, called "Cost of Family Budget at Present Prices" you will find the annual quantities necessary to fill this budget. Here I will merely summarize them. The quantities are for a family consisting of man, wife, boy of 12, girl of 6, and boy of 2 years. Professor Jaffa's minimum quantities are arranged beside our own for comparison.

Annual quantity necessary per Family

	<u>Railway Employ-</u>	<u>Jaffa</u>
	<u>ment Budget.</u>	<u>Budget.</u>
Meat, Fish, Milk, Eggs & Beans	3193 lbs.	2524 lbs.
Flour, Cereals, Macaroni, Rice	1594 "	1248 "
Potatoes, Vegetables, Fruits, etc.	3392 "	1921 "
Butter, Oils & Fats	263 "	247 "
Sugar	350 "	343 "
Coffee, Tea, etc.,	34 "	27 "

In connection with the considerable difference between our quantities and those set forth by Professor Jaffa, the following statement which accompanied his budget is interesting: "It cannot be sufficiently emphasized that while this type of diet has been selected as a working basis, it is not therefore to be considered a sufficient or an approved diet. Only a certain proportion of people can maintain health on a minimum which provides only that amount of energy which the body actually puts forth in the process of living and works. It provides no safety factor, and allows for no individual differences. No person should be held down to a minimum when the appetite and apparent bodily needs seem to call for more. A minimum expresses the line below which it is dangerous to go. All the food which this diet calls for is necessary, but not necessarily all that is required."

If, at first glance, the quantity of meat, fish, milk, etc., seems pretty large it should be remembered that 2 quarts of milk are hardly adequate for a family with 3 growing children and that 2 quarts of milk a day alone means 1606 pounds per year.

We have not developed our own budget covering the other items which enter into the annual expenditure of a family. In the appendix already referred to you will find the clothing, furniture, household supply and other quantities considered by the U. S. Department of Labor as necessary for the maintenance of a family in health and comfort. Frankly we do not find the clothing budget adequate. We feel that a country with such natural resources and such productive power as we have should afford all her workers more than a shabby existence. The furniture items are also incomplete, noticeably lacking a range or cooking stove. But for the time being we offer these figures as the basis for your consideration of real wages.

Now, Mr. Chairman, the Board is about to pass upon the wages to be paid to railroad shop men. We ask that you pass upon real wages. Wages are not dollars and cents, they are goods and services which nourish and subserve the life of the Nation. A reduction in wages does not mean a reduction in dollars and cents, it means a reduction in pounds of nourishment, it means a reduction in the adequacy and decency of clothing and housing, it means a reduction in self respect.

For this reason we ask the Board to pass upon our requests and those of management in terms of commodities. Let us know just what commodities we are entitled to, and it will be an easy matter to apply current prices to them and so to determine the necessary wage level.

The budget in the appendix is offered as a beginning. If the Board feels that we are asking too large a share of the productivity of the country, then it can cut out a certain proportion of the commodities listed. If, on the other hand, the Board cannot conceive of a family's maintaining a satisfactory existence with so small an allowance of the country's products, additions can be made. In short, the Board can and should talk real wages instead of theoretical wage rates such as are featured by the representatives of management.

Amount of Money Necessary at Current Prices:

For our own information we have gathered price data from 444 cities and towns scattered through the United States. These are all towns in which railroad shop mechanics are living. Prices were secured for practically all the items of the family budget. The group of expenses classified under miscellaneous were, however, so varied that it proved impossible to obtain enough information as to costs to make possible

accurate appraisal of this figure. We have, therefore, arbitrarily fixed the following amounts as coming within that group for all communities:

Laundry Work	\$100.00
Maintenance of Health	80.00
Insurance (life or property)	138.50
Carfare	15.00
Amusements & Recreation	20.00
Newspapers	13.00
Organizations and Church	50.00
Incidentals including Tobacco, Postage, tele- phone, etc.	<u>56.50</u>
Total	473.00

Many of these estimates are below what they should be. Since preparing these tables we have secured information which proves that \$80.00 will not cover necessary services of doctor's, dentists, oculists, etc. This figure should be nearer \$120.00. If a man rides to work \$15.00 will not cover his carfare.

We have also allowed another arbitrary sum of \$81.50 in all budgets to enable each family to secure books, magazines, and some musical training for the children.

With the exceptions above noted the information is very comprehensive as will be seen by reference to the

number of items for which we have prices. Rent, fuel and light are included.

In the preparation of this material for presentation we have divided the country into twelve divisions and I am appending to this argument tables showing the average cost of each commodity in each of these divisions. I am ^{also} ~~further~~ furnishing the Board and the representatives of management with a copy of the price data collected for each single locality. These prices are in the majority of instances those prevailing in November and December, 1921. The canvas could not be repeated in a later month. However, as the period of decline in prices seems to have been arrested, these prices will give a fairly accurate idea of the cost of living in these towns and cities.

We have applied these prices to our quantity budget. The results are shown by divisions in the following table:-

Railway Employees' Department Tentative Budget
Priced on Basis of Average Prices from 12 Division of Country
November - December 1921

Division	No. of Cities	Food	Clothing	Furniture	Cleaning Supplies	Rent	Fuel & Light	Misc	Bocks, Music, Etc.	Total
New England	19	\$ 1100.95	\$ 479.09	\$ 80.36	\$ 43.66	\$ 371.04	\$ 211.96	\$ 473.00	\$ 81.50	\$ 2841.56
Middle Atlantic	52	1023.41	493.37	82.69	44.67	360.00	191.44	473.00	81.50	2750.08
East North Central	37	922.63	505.91	82.67	44.44	351.00	222.57	473.00	81.50	2683.72
East Central	73	955.94	478.81	83.25	44.42	339.00	204.12	473.00	81.50	2660.02
West North Central	51	924.65	484.98	82.76	45.08	391.44	215.04	473.00	81.50	2698.45
West Central	30	911.81	478.13	74.78	45.16	353.76	223.71	473.00	81.50	2641.85
South Atlantic	19	1042.13	460.02	76.92	45.40	359.64	141.08	473.00	81.50	2679.69
Central Atlantic	24	1037.30	477.46	75.46	43.99	348.24	154.20	473.00	81.50	2691.15
East South Central	19	962.72	448.88	78.66	40.68	321.48	129.26	473.00	81.50	2536.18
West South Central	57	987.42	476.99	77.41	48.30	373.44	126.03	473.00	81.50	2644.09
Mountain	33	990.37	488.36	84.42	50.21	365.40	266.80	473.00	81.50	2800.06
Pacific	30	942.58	481.65	77.38	47.81	339.84	139.52	473.00	81.50	2583.38
Weighted Average	444	974.76	481.96	80.44	45.56	358.59	188.76	473.00	81.50	2636.97

It will be noted that the very moderate standard of living suggested in the budget will require annual earnings of from \$2500 to \$2800, the average for the entire country being \$2636.97.

Some people will undoubtedly want to interject some comment upon the absurdity of a mere worker expecting an income of this size. If they are honest they will recognize that they are remarking on the absurdity of the workers of the country receiving as much goods as are enumerated in the budget. The mere dollars and cents mean nothing, it is what they purchase that counts. If such people are really honest they will then proceed to enumerate the articles or quantities which it is absurd that a worker's family should have and will further state clearly what, in their opinion, a worker may expect as the minimum allowance of good things in return for his service to society.

The same budget, with Department of Labor Food quantities substituted would cost on the average \$2303.94, or about \$300 less than that already described. The cost of this budget is shown by divisions in the following table:-

COST OF DEPARTMENT OF LABOR BUDGET.

BASED * CURRENT PRICES.

NOVEMBER - DECEMBER, 1921.

<u>DIVISION OF COUNTRY.</u>	<u>TOTAL COST.</u>
New England	\$2,402.24
Middle Atlantic	2,342.50
East North Central	2,315.81
East Central	2,287.33
West North Central	2,334.06
West Central	2,282.34
South Atlantic	2,291.75
Central Atlantic	2,297.87
East South Central	2,161.38
West South Central	2,272.13
Mountain	2,419.00
Pacific	<u>2,207.34</u>
Weighted Average	\$2,303.96

Such a comprehensive survey makes possible two interesting comparisons. We can compare the cost of living in one section of the country with the cost of the same standard in any other section. And we can compare the cost of living in small communities with that in the larger centers of population.

Glancing at the table you will note that eight out of the twelve divisions vary from \$2700 by only about 2% in the case of our own budget. In the case of the Department of Labor Budget this variation sinks to considerably less than 2%. In the case of either budget the variation from the weighted average in ten out of the twelve divisions amounts to only approximately 4%. In general the remaining divisions where the cost of living appears to be noticeably higher than in other parts of the country are those where the severity of climate necessitates the use of considerably more fuel than in the milder parts. The two highest costs shown are for New England and for the Mountain Division. On the other hand the lowest cost divisions are such ones as the East South Central along the Gulf and the Pacific group where an equable climate exists.

Cost of Budget in Towns of Various Size:

In order to study the relative cost of the Budget in large towns and small towns we picked at random from the list 64 towns with population of less than 5000, 43

cities with population ranging from 50,000 to 150,000 and 13 cities with population over 400,000. These towns were taken from every division except, of course, where certain divisions had none of the larger cities.

In the New England Division it appears that the cost of living in three small towns, Houlton, Maine, Millinocket, Maine, and Van Buren, Maine, averages about \$40.00 per year more than the cost of a similar living in Boston, the largest city, but that it averages about \$62 per year less than the cost of a similar living in such towns as Portland, Maine, Worcester, Mass., Bridgeport, Hartford, and Waterbury, Conn. all towns with population between 50,000 and 150,000. Altogether the variation is surprisingly small.

In the Middle Atlantic States the lowest average cost of living was found in the medium sized cities, the average for Troy, N.Y., Elizabeth, N.J. and Erie, Allentown, Bethlehem and Scranton, Pa., being \$2716.47. The very small communities, including Rouses Point, N.Y. Cranford, N.J. and Albion, Smithfield and Verona, Pa. came next with a cost of the same standard some \$43 higher (\$2759.83). While the cost of living proved to be highest in the larger cities, including New York, Buffalo, Philadelphia and Pittsburg where it averaged \$2851.30. In other words the order here is exactly the reverse of that in New England.

In the Central Atlantic States the lowest average cost of living appeared to be in the medium sized cities. Wilmington, Del. and Huntington and Wheeling, W. Va. showing an average of \$2601.12 in contrast with \$2720.48 for the smallest towns including Brunswick, Md. Hinton, Montgomery, Kimball, McMechen and Rowlesburg, W. Va., Baltimore. the only large city showed a cost of \$2827.51.

In the East Central Division there appears to be a slightly greater difference. The towns under 5000 show an average cost for the budget of \$2531.37. These towns include Montpelier, Piedmont and Willard, Ohio, Red Key, Indiana, and Tipton, Forrest and Kolze, Illinois. At the other extreme are Chicago, Cleveland and Cincinnati, with an average cost for the same standard of \$2786.80. The medium sized cities, Dayton, Ohio, Evansville, South Bend and Terre Haute, Indiana, and Springfield, Illinois come in between with a cost of \$2741.89. The fact that Indianapolis, which really ranks with the large cities, reported costs somewhat below the average for the smaller towns shows, however, how incorrect it is to assume any standard relationship between large and small communities.

Without going farther, it is fair to conclude that the cost of living as between small and large centers of population will sometimes be lower and sometimes higher, just as it will be in the case of communities of the same

relative size. In some parts of the country the small towns seem to have the better of it. In other regions the larger towns appear to show lower costs. Tables showing in full for all divisions of the country the facts discussed here will be found in ~~the~~ appendix No III called "The cost of a budget according to Current prices". Considering the country as a whole the average level of living costs in communities of the three sizes chosen for comparison was found to be as follows:

Cities over 400,000	\$2773.51
Cities 50,000 - 150,000	2724.87
Towns under 5,000	2677.93.

This shows that differences in cost of living based ^{ON} relative size of community are so small as to be negligible. The variation from the average in the above table amounts to less than 1-3/4%.

Present Earnings of Shop Crafts Judged by this Standard:

The inadequacy of the wage rates now being paid to employees in railroad shops is strikingly apparent if we compare them with the amount just shown to be necessary to secure the necessities and a few of the good things of life. Here we have been pricing a budget

which provides no more than a sane supply of food and only the barest minimum in other respects, only to find that such a budget at current prices will necessitate average earnings approximately 40% in excess of the present earnings of mechanics when they work full time for the entire year. The accompanying chart shows graphically the contrast between ^{present} full time earnings of a railroad mechanic and the cost of two minimum budgets at present day prices.

Railroad Mechanics' Earnings for Full
Year Compared with Cost of Necessary Supplies

	At Present Price
Actual Earnings 2448 hours @ 77¢	\$1884.96
Average Cost of U.S. Labor Dept. Budget	2303.96
Average Cost of Railway Employees Dept. Budget	2636.97

This means that railroad mechanics must get along with approximately 7/10 of the supplies and services enumerated in that budget if present wage rates are not modified. We ask the members of the Board or the Representatives of Management to designate the items in this budget which railroad mechanics should be forced to go without in order to reduce it by the required amount.

COMPARISON OF STANDARD ANNUAL BUDGET EXPENDITURES
WITH EXISTING AND VARIOUS PROPOSED FULL TIME
ANNUAL EARNINGS OF SHOP CRAFT EMPLOYEES

3000

2500

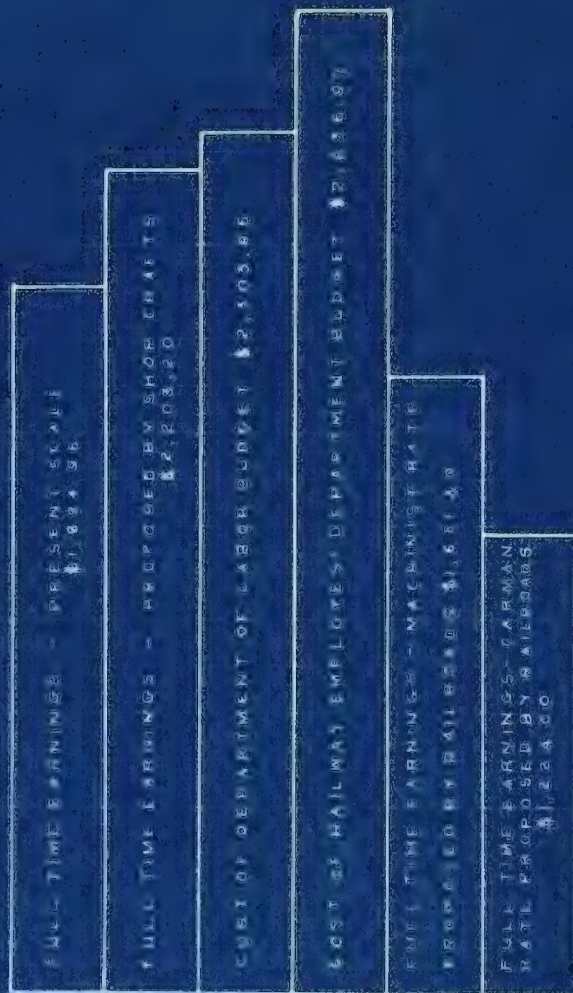
2000

1500

1000

500

0



Wages Lower Than Those at Present Paid in Railroad Shops:

The railroads are proposing that railroad mechanics accept rates which ~~on~~ the basis of full time earnings will permit them to purchase from under a half to about 5/8 of the budget under discussion. The chart following this page shows how preposterous is the proposition.

Proposed Rates Compared with Cost of Budget:

	<u>Per Year</u>
Railroad proposal $67\frac{1}{2}\text{¢}$ Rate	\$1651.40
Railroad proposal 50¢ Rate	1224.00
Cost of Railway Employes Dept Budget	2636.97
Cost of U.S. Labor Dept. Budget	2303.96
Railway Employes Dept. Proposal for Mechanics 90¢	2203.20

The $67\frac{1}{2}$ cent rate proposed by the railroads means full time yearly earnings \$1000 short of the amount necessary to purchase the goods which we have suggested as necessary to the well being of a family. We reserve the right to form our own judgment of any body which says that families living in America shall be satisfied with \$1000 less goods than are specified in the budget. Such rates exist only because several hundred thousand men are given the choice of accepting that or nothing. Perhaps, if the railroads were asked to talk in terms of commodities they would not make such propositions lightly.

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And yet this is the highest rate which the railroads propose to pay. Mr. Chairman, I am going to try to picture to the Board just what some of the lower rates proposed by the railroads will mean to thousands of families. Then I think you will understand how hard it is for men to keep from getting mad. Take ^{the} 50¢ per hour rate. Cutting everything else to the bone - and that means some impossible economies - we found that we could allow about \$467.56 for food. A woman with considerable acquaintance with problems of diet was asked to plan a set of meals for the wage earner on the basis of that amount for a family of five. They started out as follows:

1st day - Breakfast - Dish of Oatmeal with milk and two

spoons of sugar, 2 slices of toast and butter, 1 cup of coffee.

Lunch - 1 Bologna Sandwich, 1 bread and butter sandwich, and an apple.

Dinner: - 2 thin slices of Pot roast ($\frac{1}{2}$ #), 3 small potatoes, two thin slices of bread and butter, a dish of carrots - no desert.

2nd day:- Breakfast - 2 Shredded Wheat biscuits with milk and sugar, 1 soft boiled egg, 1 piece of toast with butter and two cups of coffee.

Lunch - 1 Cheese sandwich, 1 piece of cake and an apple.

Dinner - Corned beef ($\frac{1}{2}$ lb) potatoes (1 lb) cabbage, 1 slice of bread and butter, 1 dish of custard and a cup of coffee.

3rd Day - Breakfast - Bowl of Oatmeal with milk and sugar, 1 poached egg, 1 slice of toast with butter and 2 cups of coffee.

Lunch: - 1 Sardine Sandwich, 1 doughnut and an orange.

Dinner - Liver and bacon ($\frac{1}{4}$ lb of each) 1 lb of potatoes, 1 lb. of onions, 1 slice of bread and butter, $\frac{1}{6}$ of an apple pie and 1 cup of coffee.

At this point she threw up the job. These splendid meals were found to be allowing a hard working man an average of 2235 calories per day. And at that they were running 20% per day over the expenditure which could be allowed him. Such pitiful meals as those shown above were cutting into the allowances to his wife and children. Glance over the meals again and think of them in terms of a man muscularly engaged all day long. If you will do that we need not talk calories.

Now let us turn to the proposed rate of 40 cents per hour. This is what I asked our menu expert to do.

A rate of 40 cents per hour, with not an hour of regular working time missed during the year, means annual earnings of \$979.20. Think of that, gentlemen. Does it appeal to you as having any relation whatsoever to any standard of living that humans would impose upon one another? Or does it mean that men below the mechanics rates shall be denied families? If a helper around the

railroad shops has been so lacking in forethought as to have a wife and children, he will be able to provide them with less than 3/8 of the goods included in this budget. Now, I ask you to look over the items carefully, and imagine what you would think of any institutions which said that your family must get along on less than half of the goods. Pick out the items which you would be satisfied to dispense with. What kind of a life would you look forward to? Every such man cannot become a railroad president despite the qualifications of many of them.

Let us study this standard a little more closely in order to find how much we have to spend for food. The annual earnings might be divided somewhat as follows:

Food	\$383.20
Clothing	180.00
Rent	240.00
Heat & Light	75.00
House furnishings	20.00
Cleaning Supplies	40.00
Miscellaneous	<u>41.00</u>
Total	979.20

It is quite apparent that none of these allotments would cover the specified items on any basis conducive to health. The expenditure for clothing would allow for the purchase of about 3/8 of the annual replacements specified in the Department of Labor Budget. Look at that and figure

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what it will mean. Every article of clothing must wear from two to three times as long as is contemplated in that budget. Three summer union suits must ~~be~~ about three years service. The man's suit must wear 8 years, his winter overcoat must ~~last~~ approximately 10 years. Or imagine the twelve year old boy cutting down the wear and tear on his shoes and clothes by over one-half.

Note that the allowance for miscellaneous expenditures, including maintenance of health, insurance, carfare, contributions and dues, stationery, recreation, postage, etc. amounts to about one-half of the minimum allowance for health expenditures alone.

What can we do with \$383.20 for food. For the wage earner we can do about as follows:-

1st Day - Breakfast - Dish of Oatmeal with milk and two spoons of sugar, 1 slice of bread without butter, 2 cups of coffee. (336 calories)

Lunch - 1 cheese sandwich, an apple and a small cookie. (265 calories)

Dinner - Two thin slices of Pot roast (about $\frac{1}{2}$ lb) 3 small potatoes, 2 slices bread and butter, and a cup of coffee. (855 calories)

2nd Day - Breakfast - 2 Shredded wheat biscuits with milk and sugar, 2 small pieces of sausage ($\frac{1}{8}$ lb) 1 piece of bread with a cube of oleomargarine

and a cup of coffee (566 calories)

Lunch - 1 meat sandwich (1/8 lb meat), a doughnut and an apple. (629 calories)

Dinner - 1/2 lb of liver, 1 1/2 lb. potatoes, 1/2 lb. cooked cabbage, 1 piece of bread with oleomargarine and a cup of coffee. (504 calories)

3rd Day-Breakfast - 1 soft boiled egg, 1 piece of toast without spread, 2 cups of coffee (264 calories)

Lunch:- 1 peanut butter and 1 bread and butter sandwich, 1/6 of an apple pie (739 calories)

Dinner - 1 plate of baked beans, 1 dish of squash, 1 piece of bread with oleomargarine and a cup of coffee. (502 calories.)

Here again our dietitian stopped. Not only is it impossible to give a man enough to eat on this amount, but variety is out of the question. Three days menus are as good as ~~x~~ months. Oatmeal, potatoes and coffee are his most satisfying possibilities - the first because they are filling and nourishing, the last because it supplies a stimulant in the place of adequate nourishment. If you recollect my discussion of the expenditure returns from our members, the coffee item was always over the requirements by a wide margin. This is a sign of under-

supply of food. The meals which I have just been talking about give the man only about 1550 calories a day. But what can you do. Ten cents a meal for the wage earner, nine cents a meal for the mother of the family and the 12 year old boy, about 4 cents per meal for the 6 year old girl and perhaps 5 cents for the entire day to feed the 2 year old. It will be easy for the experts of the railroads or of this Board to suggest to such employes ways in which they can get the quantity, quality and variety needed by a healthy appetite on ten cents per meal.

Men do Live on Such Wages:

But men do live on such wages. Families have continued to exist at such low standards. That is the answer that I hear from the railroads. Yes, men do continue to exist and do have families on wages which disgrace the country that pays them. The steel companies announce with satisfaction that they have done their part in deflation by reducing their laborers to 25¢ and 30¢ per hour. The announcements come out as if one part of the corporation battle line were communicating with another. "The enemy is falling back, his ranks reported breaking". For something over a year they have been starving men into falling back to a starvation wage. It seems to us that any but hardened sinners would at least try to

conceal the fact that such wages were being paid, for they are a terrible judgment upon the "fitness" of those who control our industrial life.

These workers in industry, who receive 30¢ per hour, can earn about \$1300, nearly half of our proposed budget, by working 12 hours per day 365 days per year. Twelve hours a day - that means 13 or 14 hours counting going to and from work, checking in and out, etc. Fourteen hours out of each 24, 365 days without^a pause for a wage which does not even produce a bare subsistence, let alone comforts! Can such workers claim to own any of their own time? That is what makes men say "wage slaves".

Statements to the effect that men do live on such wages amount to no more than the statement that millions of Germans and Austrians lived through the blockade. They did. No question about it, but the infant death rate jumped - the suicide rate jumped, the Tuberculosis^{rate} rose tremendously, and lastly the resistance to other diseases was so reduced that epidemics were developed which swept over continents. As in the case of the Black Death in England, these Epidemics, which began among the classes which were forced to accept a low standard of living, ended by inroads into the rich and well-to-do. A man may keep on working. His family may still figure in the census

but the fact remains that the Federal Children's Bureau reports an infant death rate of 255.7 per thousand where the income of the father is \$521 or less in contrast with an infant death rate of 80 per thousand where the father's income is over \$1200. With living costs as they are today these two figures would be at least 75% higher. Even if it is true that the corporations continue to get the service of the wage earner, it is his children, born and unborn who will pay for the profits of the corporations.

As a matter of fact it is scientifically certain that an industry does not get the full service of an undernourished employee. I wish that we had the scientific background to deal with medical experiments made in this field. Unfortunately the doctors are more interested at present in the chemistry of the body under various standards of nourishment. All unite in the fact that chronic undernourishment has disastrous consequences, but few of them think of the problem in industrial terms.

Dr. M. Rubner of Germany in writing on the effects of the blockade and undernourishment in the German people remarks that "the first result of an insufficient diet is a decrease in the efficiency of laborers. This is evidenced by the fact that fatigue comes on more quickly than usual. Not only is there a decrease in the muscular efficiency of laborers, but also in people living sedentary lives; the muscular activities which are concerned with the normal

preservation of health become restricted." I am quoting from an article in the Physiological Effect of Undernutrition by Dr. Graham Lusk of Cornell University in the October, 1921 number of Physiological Reviews.

I wish there could be an impartial investigation of this one fact by specialists chosen for the purpose. I think that it would show conclusively that the industry gets just as many calories of energy as it pays for, if you view the situation over long periods. I think that an industry which permits its employees to secure 4000 calories of good food daily, gets a proportional amount of energy out of those employees, and that an industry which cuts the supply of calories by cutting wages, also cuts the energy which it secures in exchange for that wage. It is strange that industries cannot use the same sense about supplying energy to their employees that they use about supplying coal under their boilers.

We have, however, found record of one or two experiments made for the purpose of testing the production of mechanical work during undernutrition. Dr. Jansen of the University of Munich made a test on healthy, able bodied students to find out the effect of the ration then in effect on account of the blockade. The case is directly in point because the ration, 60 grains of protein and 1628 calories, then in effect, is about identical in

quantity with that which an employee of the railroads can today secure on 40 cents per hour.

The results of this experiment would indicate that the railroads are contradicting themselves when they talk of the necessity of increased efficiency and then propose wage rates which render sufficient nourishment impossible. Dr. Lusk in introducing the experiment of Jansen says:

"There is no doubt that the well-nourished individual feels a zest for his work, while the undernourished tries to avoid all work."

I have asked that Dr. Lusk's reference to the experiment in question, which you will find in Physiological Review, October, 1921, be translated into language which a layman can understand. Here is the result:-

About 27 men were kept on the ration which I have just mentioned. Several of them, after three days of rest, were given the job of walking a considerable distance in bad weather. They walked 11 miles the first day, 12½ miles the second day and 16 miles the third day. Now, although the walking was bad, the labor involved would not have been very great under normal conditions. But, on account of the short rations, these men came home each day over-fatigued and exhausted. Aside from certain physiological results interesting to doctors, the results appeared in pallid skin,

quicken breathing, slow pulse and profuse perspiration. In general these men were apathetic and depressed during the evening - "all in" or "dead to the world" to put it in popular language.

Dr. Lusk also summarizes certain effects of under-nutrition as found experimentally by Dr F.G. Benedict of the Carnegie Foundation, in somewhat these words - the general physical reactions of the men to undernutrition were:

1. Feeling of general weakness and tiredness - a lack of the normal amount of "pep" in going after the accomplishment of a given amount of work.
2. Unpleasant sensations of fatigue, particularly in stair climbing.
3. Inability to continue rapid motions, or to carry enough heavy work for the usual length of time and with the usual satisfaction.

Now this is by no means a full account of the results of these experiments. But they make very clear certain features of our problem. I don't think I ~~am~~ revealing too much of the private life of the workers in industry when I tell you that doctor has about described the evenings of hundreds of thousands of them when they come home from work too tired to get any good or pleasure out of the few hours that they can call their own. You can go into the homes of hundreds, or thousands of working men today and you'll find pallid

skin, you'll find quick, shallow breathing and a slow pulse - you'll find men "all in" after each day's work. You'll find men that drag their legs after them as they go upstairs. That's because of undernourishment. Sure, they go on living with a thousand or two of calories deficit each day. So did the Germans under the blockade. But is that the life you offer American Citizens?

And quite aside from the man's own happiness, you will find inefficiency, lack of ability to go at the job hard and get it done right, slowness of motion, tendency to avoid work if possible, lack of satisfaction in work. Mr. Chairman, those signs which you can find in almost every factory and shop, are largely signs of undernourishment.

10R

So before turning to the broad question of the relation between our wage rates and the broad economic readjustment of the country, I want to ask one question:-

"Do the railroads propose to put hundreds of thousands of railroad employees on the blockade ration of Germany during the War?"

No one has ever denied the effect of that undernourishment.

PART III

WHAT RELATION HAVE WAGES

TO

DEFLATION

WHAT RELATION HAVE WAGES TO DEFLATION?

The railroads have publicly taken the position that railroad employees have not taken their share of the deflation. Big business interests have taken this position and stated that the failure of railroad Shop Employees to accept their share of the deflation is holding up a return to good times. This propaganda has been used to influence the public with a view of getting a favorable decision here.

For this reason I have had a thorough study of the inflation and deflation periods made by competent economists. They find that the question of wages has ⁴ little relation to the general tendency known as deflation except as such a period undermines the bargaining power of labor. Inflation and deflation appear to be strictly an affair of finance and prices. As the owners pocket the gains of the inflation period, it is their business to take care of the full losses of the deflation ^{period.} It can easily be shown that wages were not inflated.

I will therefore try to approach this question from an angle which all can understand.

Price Increases Show Development of Inflation:

Then the ordinary man thinks about inflation or deflation he generally thinks about wages and prices or prices and wages. A period of inflation is simply a number of months or years when prices are rising rapidly and when wages are also rising more rapidly, than they have done in the past.

At first the rising prices do not effect the consumer much. But when a few months have passed, the consumer be-

gins to feel his living costs rising. After a while the rising cost of living pinches a lot of consumers and they begin to ask for more pay. Business is good, profits are high and the manufacturer gives just enough to keep the wage-earners working. Later on, when the country begins to think that prices are getting too high, business men will explain that high wages have so largely increased costs that prices must stay high. When people begin to talk about deflation they generally think about prices coming down. They are quickly informed by the men who control industry that prices coming down means wages coming down. The consumers generally agree to hooking the two together if it isn't applied to their earnings. If it is applied to their earnings they don't agree unless they are forced to. That's about the whole idea of inflation and deflation in most people's minds.

I want to start with this popular idea of inflation and see what it amounts to. I want to ask you to examine with ^{my} the figures which trace the rise of these two factors which people associate with inflation, first the rise in prices, then the rise in wages.

I wish to analyze in turn the ~~Metals~~ and ~~Metal~~ Products Industry, the Chemical Products Industry, the Cloth and Clothing Industry, the Food Products Industry, the Fuel Industry, the Building Materials Industry and the House Furnishing Industry. In all tables the wholesale price index numbers of the U.S. Department of Labor are used, referred to January, 1915 as a basis.

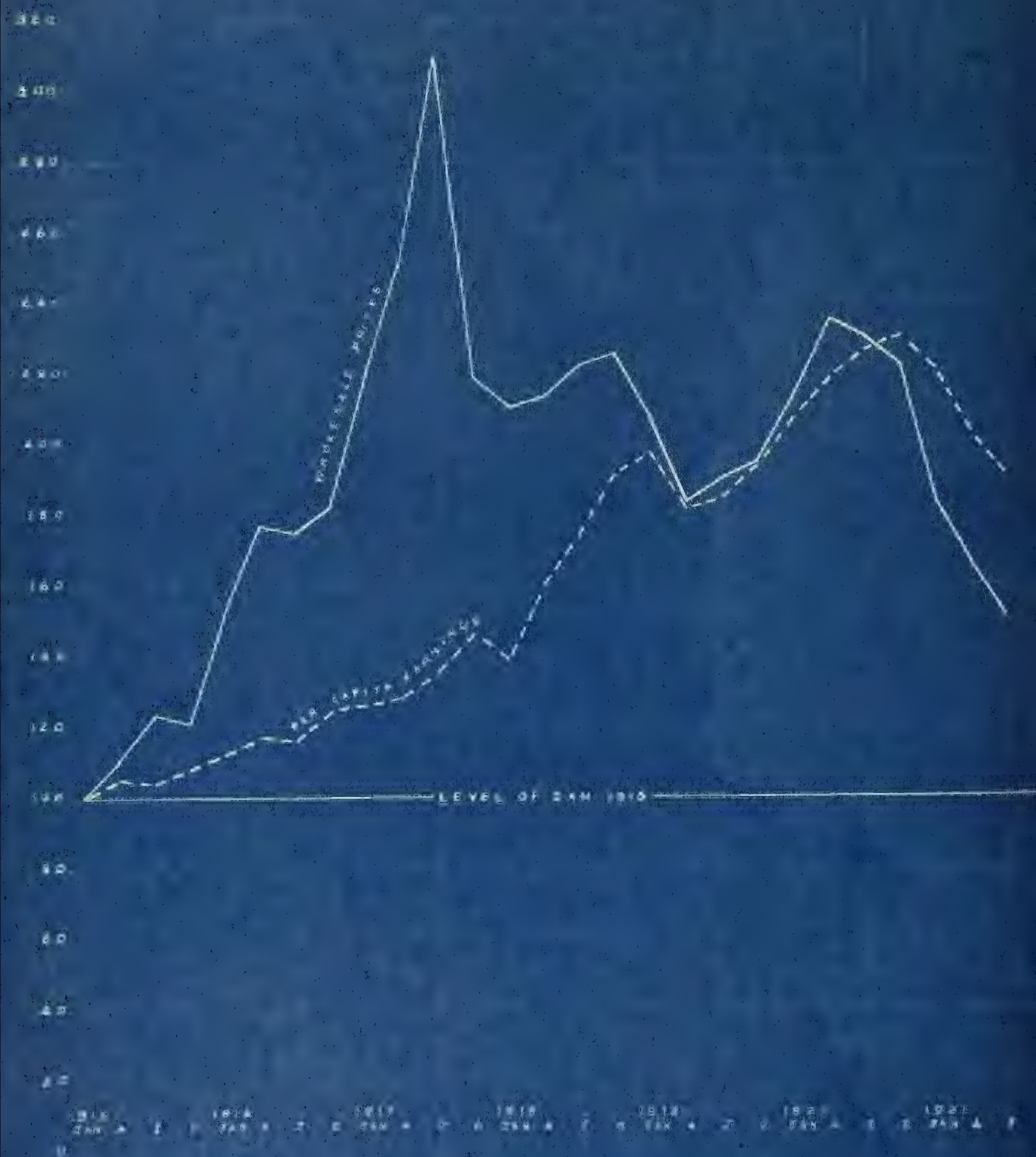
Per capita earnings are derived from the actual payroll figures gathered and published each month by the New York State Industrial Commission in its labor market bulletin for the industry in question. In the case of the cloths and clothing industry, the earnings shown for Textiles, Clothing, and for Boots and Shoes are combined, the average being weighted according to the number employed in each industry. New York State earnings are used because they present the most complete and comparable data available. New York state is a representative industrial state and its curve of earnings when charted against those from other states or for the United States as a whole show the same general trends.

War Supply Industries Start Inflation:

The first table to which I wish to call your attention shows the course of inflation as it affected the Metal and Metal Products Industry. The graphic representation accompanying the table makes it easy to get a picture of the inflation which the eye can grasp.

INFLATION PERIOD IN METAL INDUSTRIES

INDEX NUMBER BASED ON JAN. 1914 = 100



WHOLESALE PRICES AND PER CAPITA EARNINGS

IN THE METAL INDUSTRIES

(Index, January 1915 = 100)

Based on U.S. Dept. of Labor Wholesale Prices

Index and N.Y. State Industrial Commission

Figures for Per Capita Earnings.

Year and Month		Index of Wholesale Prices	Index Per Capita Earnings
1915	January	100	100
	April	110	105
	July	123	104
	October	121	108
1916	January	152	112
	April	177	117
	July	175	116
	October	182	124
1917	January	221	126
	April	251	128
	July	310	135
	October	219	146
1918	January	210	139
	April	213	160
	July	222	174
	October	225	191
1919	January	207	197
	April	183	181
	July	190	184
	October	194	193
1920	January	213	207
	April	235	218
	July	230	226
	October	222	230
1921	January	183	221
	April	166	203
	July	151	191

This industry, producing so many of the basic materials of war munitions, was one of the first to start the ascent. By January, 1916 prices had risen over 50%. Note how sharply the curve rises during the first half of 1916. When prices had risen 52%, per capita earnings in the industry had only risen about 12%. By January, 1917 prices were about 121% above the January, 1915 level, whereas wages had only risen 26%. The gap between the two curves is very striking, particularly throughout 1917. Toward the latter part of that year price control begins to be felt, and very slowly, as the cost of living advances, the earnings of the wage earners come up toward the commodity price level.

The first rapid rise in prices in this industry is explained by the abnormal demand of England and France for war supplies.

Now, for a true understanding of this problem of inflation it must be understood that this demand was abnormal, not so much because it exceeded the possible supply, but because it was not a real business demand in which one side seeks to exchange goods with another. Regular business is an exchange of goods, - of the products of two parties. Europe was not producing any goods for exchange, she was manufacturing credit by enormous loans, at the same time that she was destroying huge quantities of products in the war. The thing that causes sudden rises in prices is when the purchaser is a

non-producer and simply signs a promise to pay.

It is the fact that, immediately on the development of the war, huge credits were created which caused the rapid increase in wholesale prices.

Note how rapidly prices drew away from wages. Evidently labor failed to share in the enormous increase in income which came from these high prices. Follow this through the year 1917 after the entry of the United States into the war. In view of the fact that wages represent a certain amount of the productive time of wage earners, the owners of this industry were reaping enormous profits out of the increased margin on each product as well as on the increased utilization of plant. The excess profits made off European peoples were in part the basis for several billions of dollars in loans to Europe, which established the right to heavy fixed charges.

This contrast between the rise in wages and the rise in wholesale prices makes it clear that the law of supply and demand does not affect labor and the product in exactly the same way. Demand for goods represent demand for Labor to produce the goods. And yet something seems to tie wages down.

Examination of other facts shows that wages are tied pretty close to the subsistence level. In other words it is apparent that employees do not share, as partners in the prosperity of industry - that there is no connection between their wage rates and the prosperity or depression in the industry. On the contrary their standard of living

is established at the subsistence level. During periods when this subsistence level is rising, wages rise generally slightly behind the trend. If the index of cost of living curve mounts above the index curve of wholesale prices in that industry, wages will slowly follow the subsistence level across.

Note that this lack of relationship between the condition of an industry as shown by wholesale prices of products and wages appears also in the start toward deflation. Wages await the falling of the subsistence level and follow it. Thus two important facts concerning the problem of wages as related to industry stand out in this curve:

(1) The fact that there is no relationship between the prosperity of an industry and the wages of its employees.

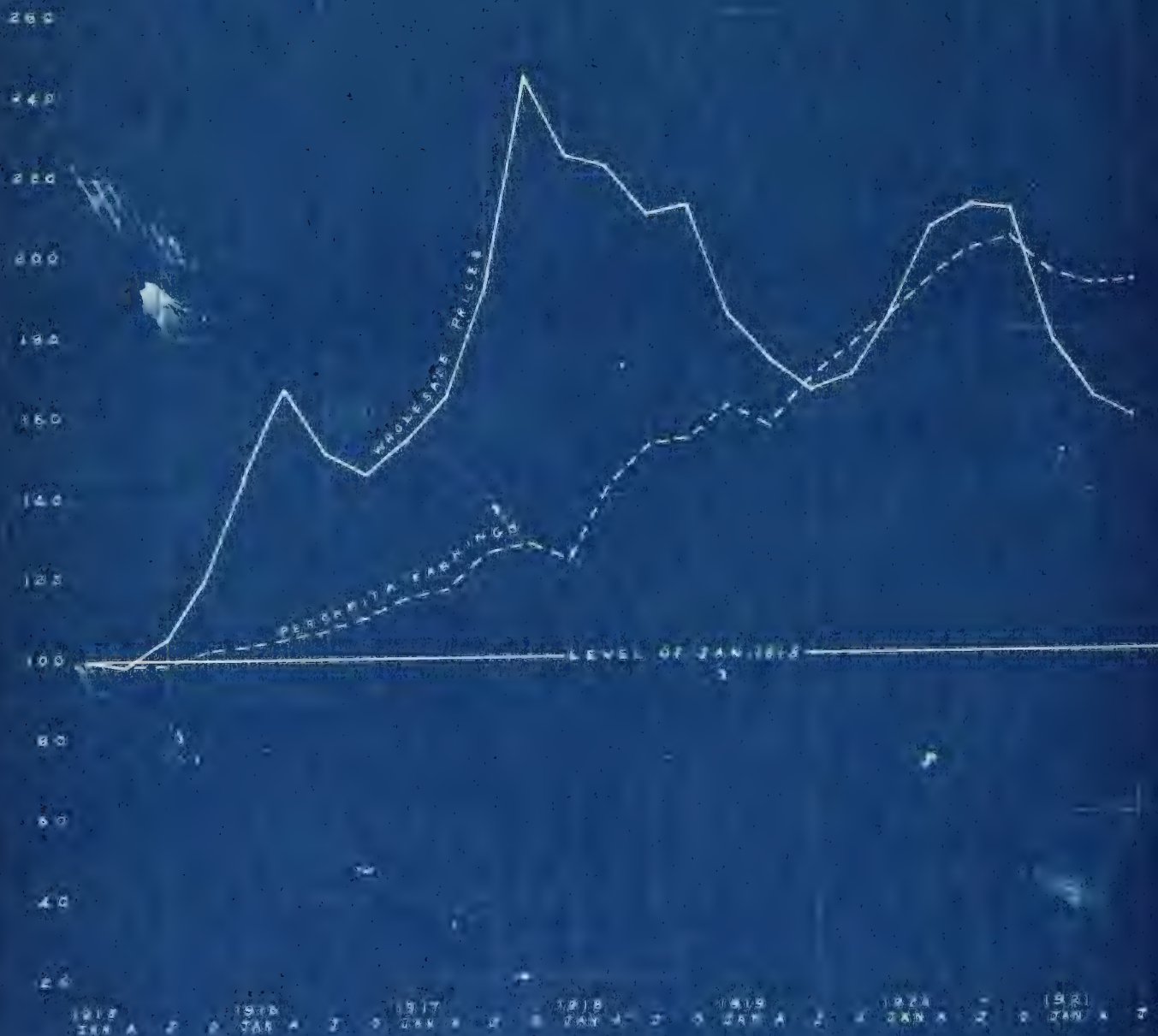
(2) The fact that this failure of industry to admit wage earners to a share in its prosperity enabled the metal products industry to profit enormously by the period of inflation.

These facts are borne out very clearly in the next table with its accompanying chart, which shows the stages of inflation in the Chemical Industry. This industry also felt early the effect of the war.

Note that the artificial stimulus of purchasing power, which did not represent goods for exchange but only manufactured credit, caused the wholesale price of these commodities to rise until the average for 1918 is already more than 100% above the pre-war level. Here

INFLATION PERIOD IN CHEMICAL AND DRUG INDUSTRY

INDEX NUMBERS BASED ON JAN 1916 = 100



WHOLESALE PRICES AND PER CAPITA EARNINGSIN THE CHEMICAL AND DRUG INDUSTRY

(Index January 1915 = 100)

Based on U. S. Dept. of Labor Wholesale Prices

Index and N. Y. State Industrial Commission

Figures for Per Capita Earnings

Year and Month		Index of Wholesale Prices	Index Per Capita Earnings
1915	January	100	100
	April	99	99
	July	105	99
	October	120	102
1916	January	146	103
	April	167	105
	July	151	107
	October	146	110
1917	January	154	115
	April	165	117
	July	192	126
	October	245	128
1918	January	225	124
	April	222	142
	July	210	152
	October	212	154
1919	January	185	162
	April	173	157
	July	166	168
	October	169	176
1920	January	184	184
	April	206	193
	July	211	200
	October	210	203
1921	January	177	194
	April	163	191
	July	158	192

again we note the failure of wages to share in the prosperity of the industry. They lag behind, attached as always to the subsistence level, thus allowing the owners undisputed possession of all the profits.

By the beginning of 1917 prices were about 50% above those prevailing in January, 1915. Wages had only increased by 15%. A year later prices were 125% above the January, 1915 level, but per capita earnings had only increased by 25%. Only slowly, after the end of the war did the earnings of employees in the chemical industry approach the level of prices in the industry.

Picture of Inflation in the Cloth + Clothing Industry

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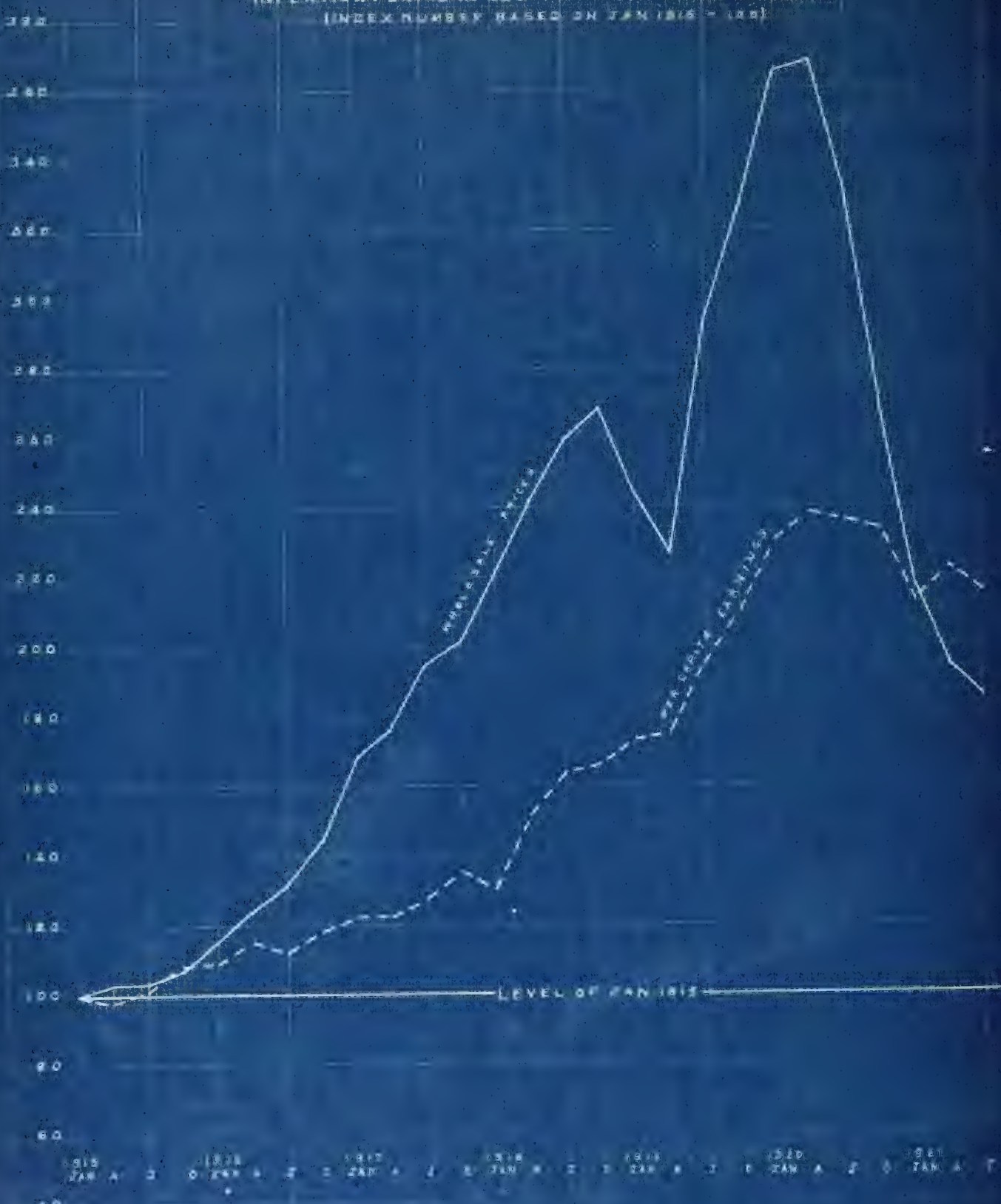
The appearance of this enormous and inflated purchasing power began to be felt in the cloth and clothing industries just about the time the United States went into the war, although during 1916 European orders purchased with government credit had started the upward course of prices in this industry. But it was the enormous purchases out of credit made for our army that led the patriotism of textile, shoe and clothing manufacturers to advance prices to an average of 139% above the 1915 level in 1918. Wholesale prices under the influence of the inflation period continued to rise, until during 1920 they averaged three times the 1915 level. This appears on the chart accompanying the table covering this industry.

Note again the big gap which develops between wages and wholesale prices. Wages are left behind. By the end of 1917 wholesale prices were running more than 100% above the level of January, 1915, while wages in the industry were running not more than 30% above the January 1915 level. Even at the highest point reached by wages in April, 1920 the prices charged were more than 100 points higher reckoning from the January, 1915 base. This shows the complete lack of relationship between wages and prices about as clearly as it can possibly be shown.

Again this emphasizes the lack of connection between the prosperity of an industry and the wage earner. Prosperity is wholly the property of profits. A subsistence wage comes along like a fixed charge only, - not as the share of a partner in industry.

INFLATION PERIOD IN CLOTHES & CLOTHING INDUSTRY

(INDEX NUMBER BASED ON JAN 1915 = 100)



WHOLESALE PRICES AND PER CAPITA EARNINGS

IN CLOTHES AND CLOTHING

(Index January 1915 = 100)

Based on U. S. Dept. of Labor Wholesale Prices

Index and New York State Industrial Commission

Figures for Per Capita Earnings.

Year and Month		Index Wholesale Prices	Index Per Capita Earnings
1915	January	100	100
	April	103	98
	July	103	101
	October	107	108
1916	January	115	109
	April	124	115
	July	131	112
	October	144	118
1917	January	168	122
	April	176	122
	July	195	127
	October	201	135
1918	January	220	130
	April	242	151
	July	259	163
	October	268	166
1919	January	244	173
	April	226	175
	July	294	195
	October	326	210
1920	January	365	230
	April	368	238
	July	330	236
	October	268	233
1921	January	217	213
	April	194	222
	July	186	216

PICTURE OF INFLATION IN FOOD PRODUCTS INDUSTRY

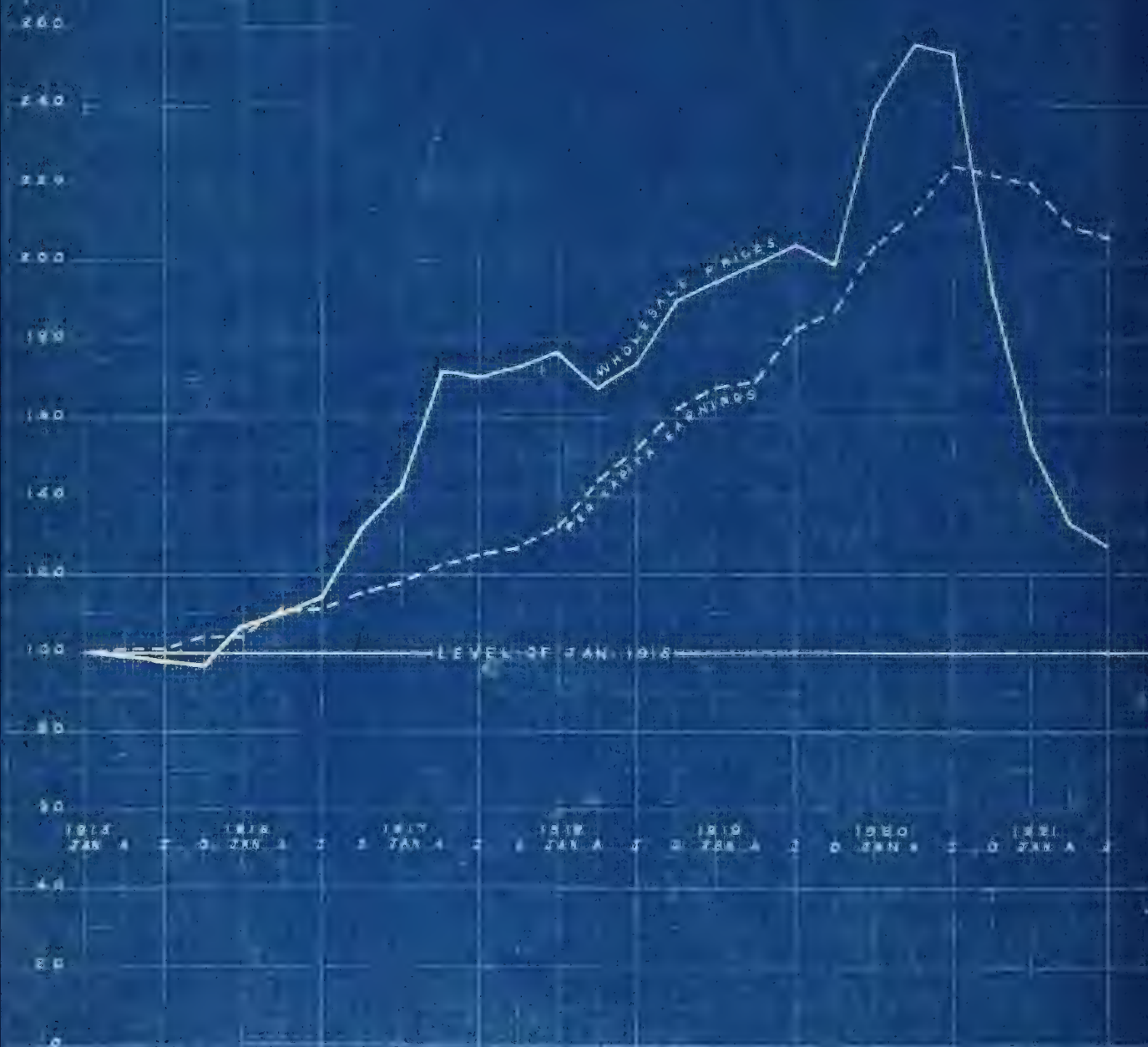
Although the beginning of the abrupt rise in the wholesale price curve representing the food products industry did not appear quite so early as in the case of the producers of munitions, the picture of inflation in this industry is equally striking. Clearly the simplest picture of the inflation period appears in these curves which show the rapid rise in the prices of industrial products.

The following table with its chart shows again very clearly the lack of relationship between the increase in wholesale prices and the increase in per capita earnings. The great space between is a measure of the increased margins taken by business and consequently of increased profits. By the first of 1918 the owners were receiving 75% more for their products while the wages of labor had advanced less than one-half that amount. It is obvious that the industry was grabbing large profits.

As in all other industries the employee does not appear as a partner sharing in the period of prosperity, but merely as a part of the works, receiving barely enough to keep him going. As the cost of his upkeep rises he gets just enough increase to keep him going.

INFLATION PERIOD IN FOOD PRODUCTS INDUSTRY

INDEX NUMBERS BASED ON JAN. 1913 = 100



WHOLESALE PRICES AND PER CAPITA EARNINGS

IN FOOD PRODUCTS

(Index, January 1915 = 100)

Based on U. S. B. : Dept. of Labor Wholesale Price

Index and N.Y. State Industrial Commission

Figures for Per Capita Earnings.

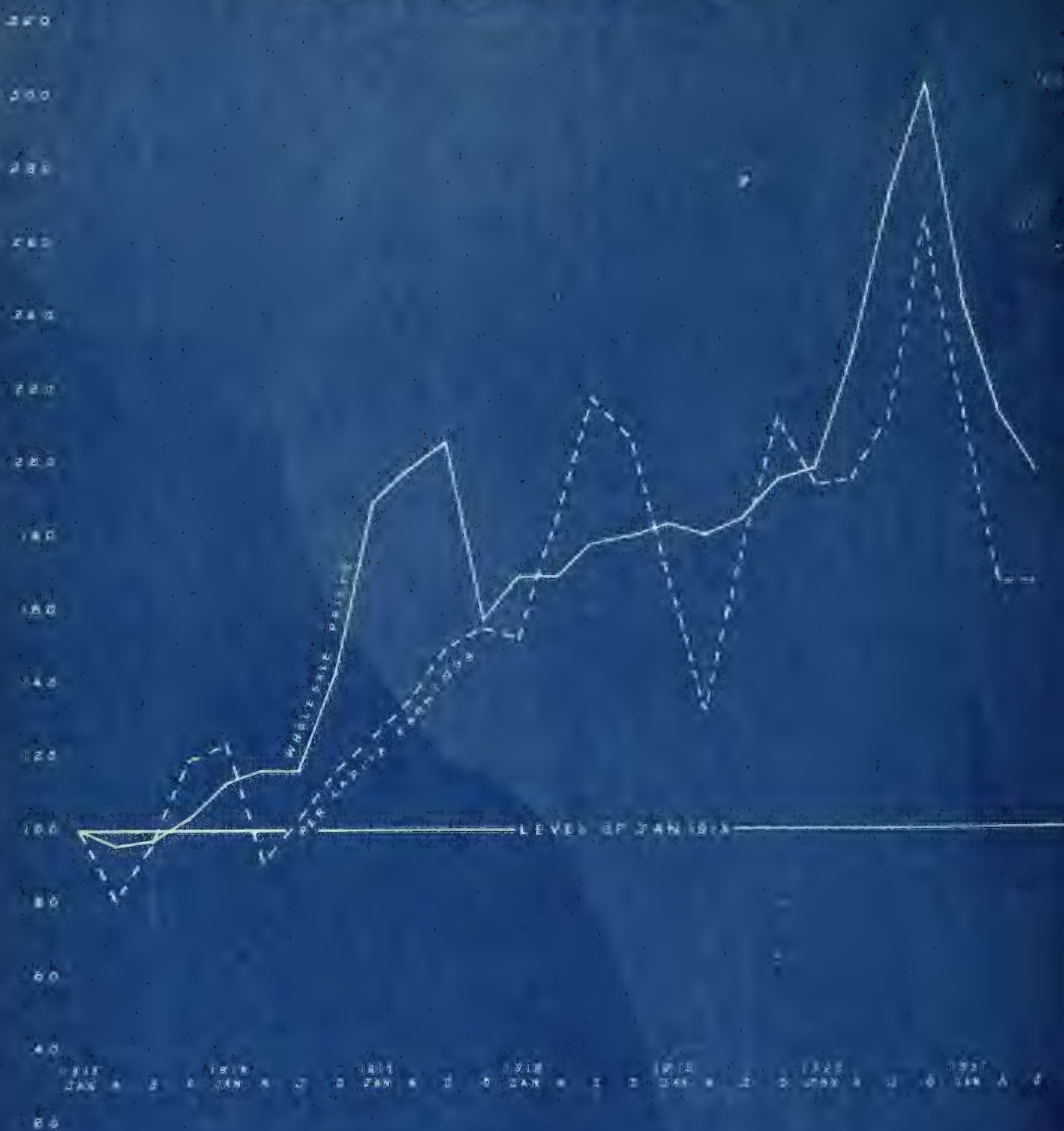
Year and Month		Index of Wholesale Prices	Index Per Capita Earnings
1915	January	100	100
	April	99	102
	July	98	102
	October	97	105
1916	January	107	104
	April	110	112
	July	114	112
	October	132	116
1917	January	142	118
	April	172	122
	July	171	126
	October	173	127
1918	January	177	133
	April	168	145
	July	174	152
	October	190	163
1919	January	195	168
	April	199	170
	July	204	183
	October	199	188
1920	January	239	205
	April	255	212
	July	253	224
	October	193	223
1921	January	153	221
	April	133	209
	July	127	206

INFLATION IN FUEL INDUSTRY

Reference to the next table with its accompanying chart will establish the fact that the same tendencies existed in the fuel industry. As a matter of fact this industry quickly responds to any stimulus to the Iron and Steel Industry. The two are practically a single industry. In the table covering this industry, however, an interesting variation appears. During the life of the Fuel Administration the upward course of prices was evidently controlled, the price level being maintained with certain fluctuating. However, with the relaxation of control, prices quickly respond to the general trend, reaching a peak of prosperity in 1920 when it appears that large profits were taken.

INFLATION PERIOD IN FUEL INDUSTRY

INDEX NUMBERS BASED ON JAN. 1915=100



WHOLESALE PRICES AND PER CAPITA EARNINGS

IN THE FUEL INDUSTRY

(Index, January 1915 = 100)

U.S. Dept. of Labor payroll figures for period since September 1919. Prior to that per capita earnings are worked out on basis of average per capita production and rate per ton.

Year and Month		Index of Wholesale Prices	Index of Per Capita Earnings
1915	January	100	100
	April	96	81
	July	97	96
	October	103	119
1916	January	113	123
	April	116	91
	July	116	103
	October	143	116
1917	January	189	125
	April	198	135
	July	206	149
	October	157	155
1918	January	169	152
	April	169	183
	July	178	218
	October	180	207
1919	January	183	170
	April	180	132
	July	184	175
	October	195	232
1920	January	198	194
	April	229	195
	July	271	211
	October	303	266
1921	January	245	206
	April	214	167
	July	198	167

This suggests a very interesting possibility. The course of inflation of fuel was evidently controlled in the interest of the community of consumers. Perhaps periods of inflation are not inevitable like storms. This would seem to indicate that if all industries had been controlled as soon as the beginning of inflation became apparent, the dislocation due to sky rocketing prices and high costs might have been avoided.

This control did not result in injustice. As I shall show in a few moments, coal operators were not denied generous profits. Wage rates in the coal industry were as good as in other industries. There seems reason to believe that in abnormal times, at least, all industries might be operated in terms of the best interests of the community.

If it appears to be true, that this period of inflation might have been controlled and that the stupid outburst of inflation in 1920 might have been prevented, then the men in control are with criminally negligent or incompetent. For such control would have avoided more than half of the sudden plunge into unemployment which followed 1920.

Inflation in Building Materials and House Furnishings

The following two tables with their accompanying charts are of very great interest. A glance at the data will show that both these industries shared the general rise in prices during the war. But the extraordinary thing is the enormous inflation of prices which reached a peak in 1920 and did not give way before the so-called "buyer's strike" had been precipitated.

Note the sharp rise of nearly 50 points in the price of building materials at the end of 1919. From that point in rises until in July, 1920 it is over 250 per cent above the level of January, 1915. The rise in prices has outstripped the rise in wages by over 125 points. Such a rise in building material prices strangled the building trades.

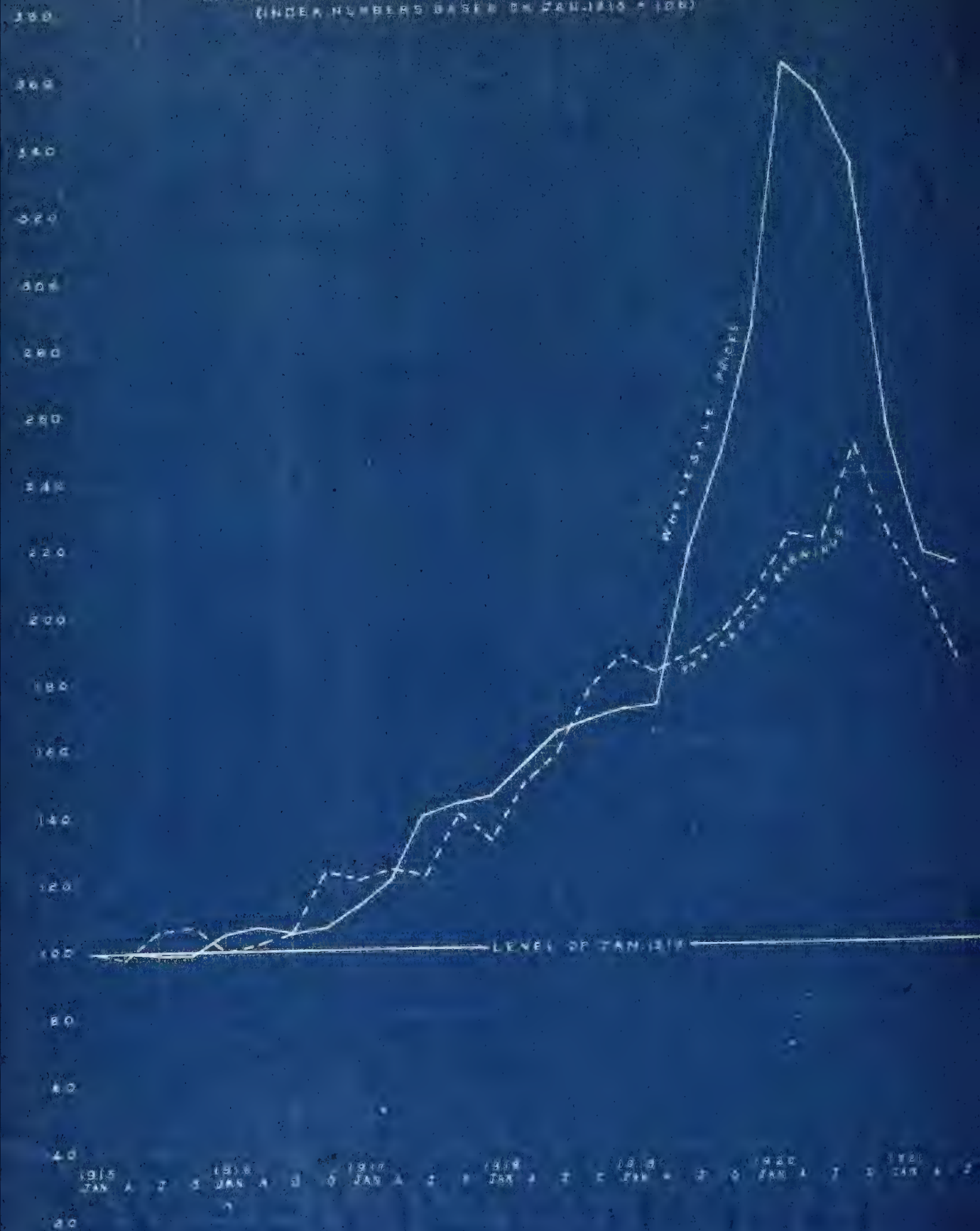
Similarly in the case of the index of household furnishing prices. From the first of 1917 prices steadily drew ahead of wages until by the end of 1920 they reached a point 275% above the January 1915 level. This was higher by over 140 points than the highest point reached by per capita earnings.

These two industries, supplying the materials for housing and household furnishings, stood far above all

others in 1920, with the possible exception of cloth and clothing. I will discuss this ~~fact~~ more fully in taking up the chart which summarizes this period of inflation as it affected all industries together.

At this point I will simply point out the extent to which these figures bear out my previous conclusions, that there is not real relationship in industry between wages and the prosperity of the industry. The curve of wages follow along, very evidently bound closely to changes in the cost of living. Wage earners do not share in the profits. They do not permanently secure more than the lowest possible cost of maintenance.

INFLATION PERIOD IN BUILDING MATERIAL INDUSTRY (INDEX NUMBERS BASED ON JAN. 1915 = 100)



WHOLESALE PRICES AND PER CAPITA EARNINGSIN THE BUILDING MATERIAL INDUSTRY

(Index based on January 1915= 100)

Based on U. S. Dept. of Labor Wholesale Prices

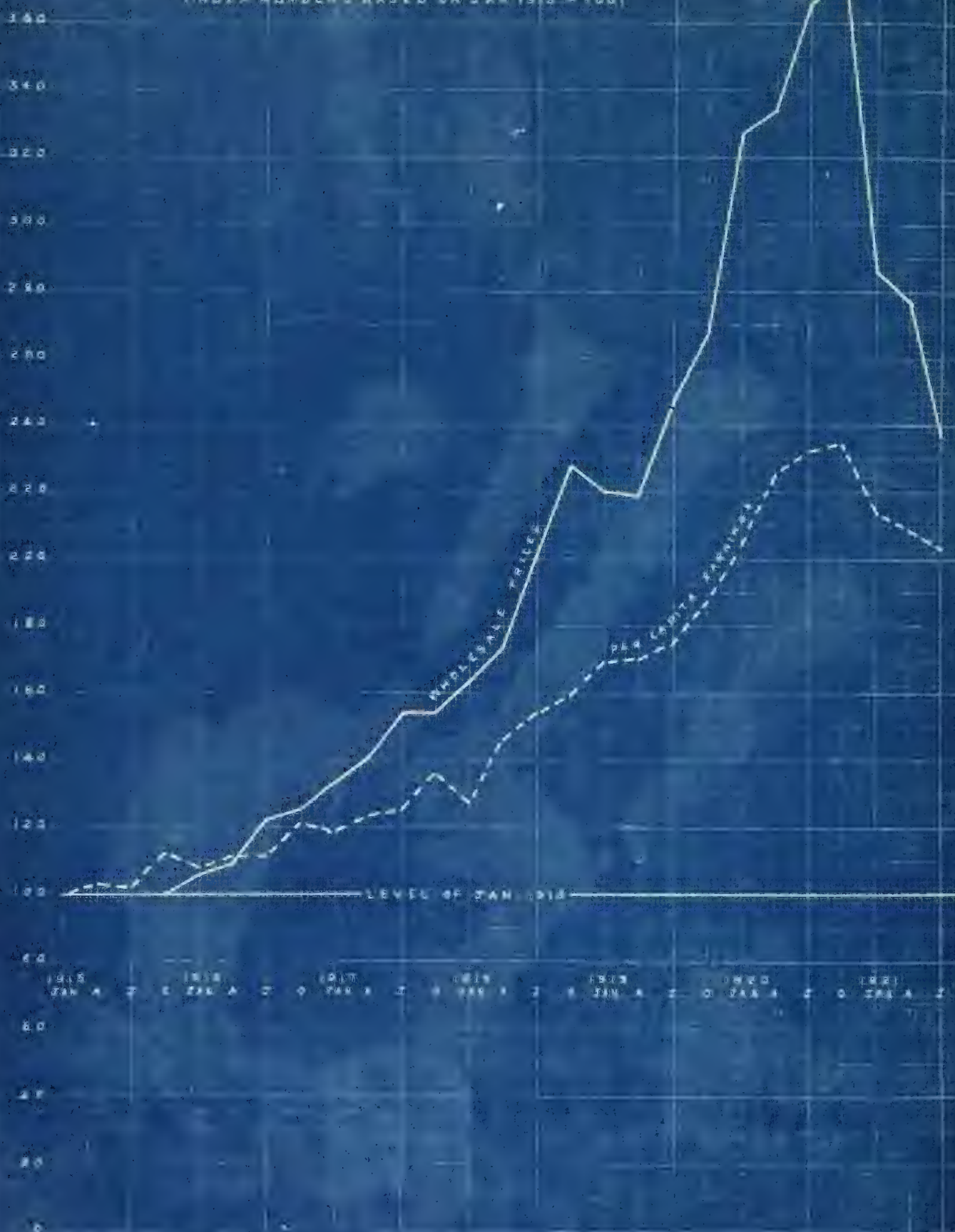
Index and New York State Industrial Commission

Figures for Per Capita Earnings

Year and Month		Index of Wholesale Prices	Index Per Capita Earnings
1915	January	100	100
	April	100	98
	July	99	106
	October	99	107
1916	January	105	100
	April	107	102
	July	105	105
	October	107	123
1917	January	113	121
	April	121	124
	July	140	122
	October	143	140
1918	January	145	132
	April	155	149
	July	164	158
	October	168	177
1919	January	171	187
	April	172	182
	July	198	187
	October	246	194
1920	January	285	206
	April	363	222
	July	354	221
	October	333	249
1921	January	254	221
	April	216	205
	July	213	185

INFLATION PERIOD IN HOUSE FURNISHINGS INDUSTRY

(INDEX NUMBERS BASED ON JAN 1913 = 100)



WHOLESALE PRICES AND PER CAPITA EARNINGSIN THE HOUSE FURNISHINGS INDUSTRY

(Index based on January 1915 = 100)

Based on U.S. Dept. of Labor Wholesale Price

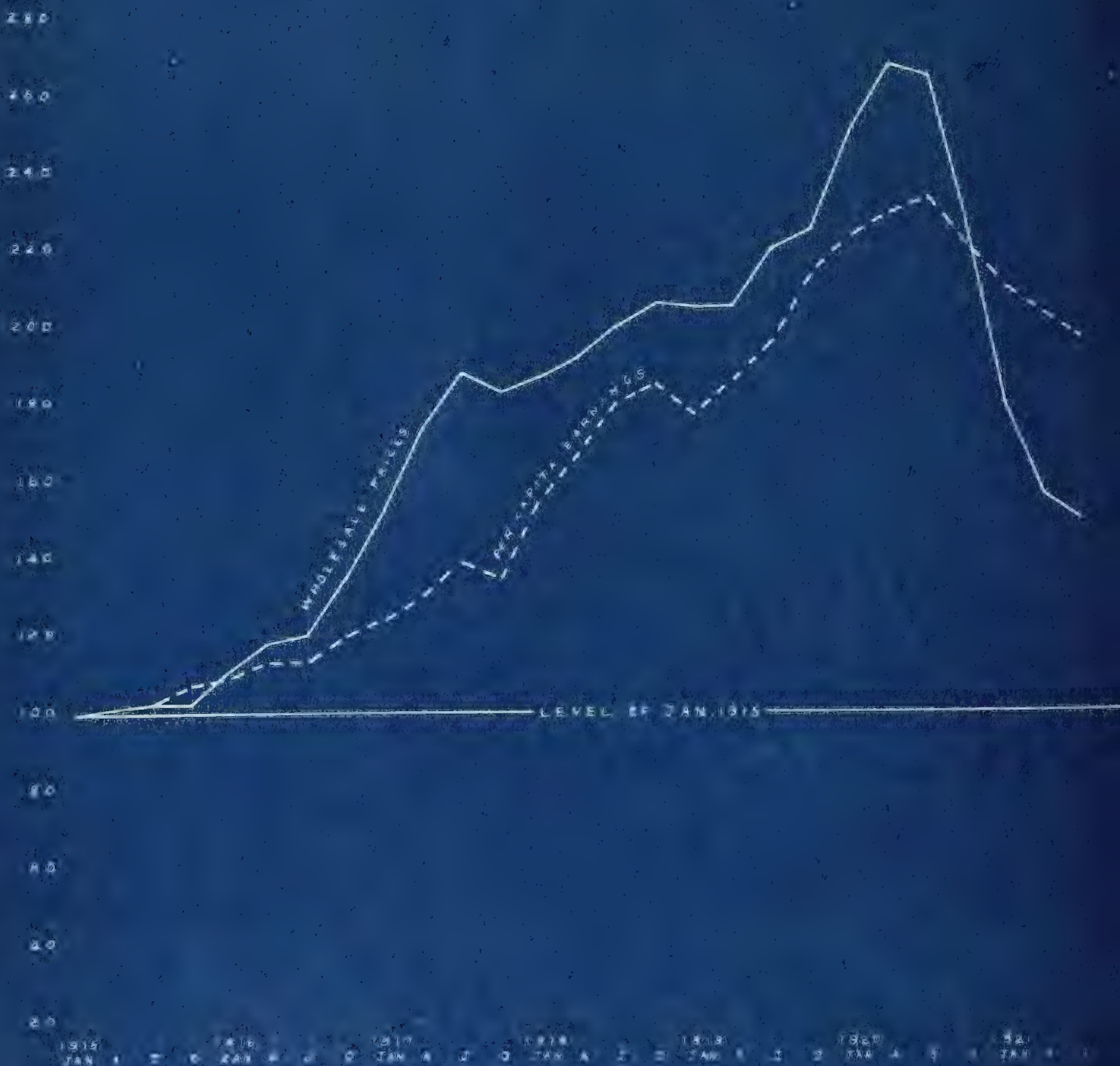
Index and N.Y. State Industrial Commission

Figures for Per Capita Earnings

Year and Month		Index of Wholesale Prices	Index Per Capita Earnings
1915	January	100	100
	April	100	103
	July	100	102
	October	100	112
1916	January	106	108
	April	109	111
	July	122	112
	October	125	122
1917	January	133	119
	April	140	123
	July	154	126
	October	154	136
1918	January	163	127
	April	174	146
	July	201	154
	October	228	159
1919	January	220	169
	April	219	170
	July	247	175
	October	267	187
1920	January	327	204
	April	334	225
	July	366	232
	October	375	234
1921	January	286	215
	April	277	210
	July	237	204

INFLATION PERIOD IN ALL COMMODITIES

(INDEX NUMBERS BASED ON JAN 1915 = 100)



INFLATION AS SEEN IN PRICE CHANGES, ALL COMMODITIES

The following table and chart show in summary form what I have just been describing in connection with separate industries.

WAGES AND WHOLESALE PRICES

ALL INDUSTRIES.

Year		Index Prices	Index Wages.
1915	(Jan.)	100)	100)
	April	101)	101)
	July	102)	102)
	Oct.	102)	107)
1916	Jan.	111	109
	April	118	113
	July	120	113
	Oct.	135	120
1917	Jan.	153	122
	April	174	124
	July	188	130
	Oct.	183	139
1918	Jan.	187	135
	April	192	155
	July	200	167
	Oct.	206	180
1919	Jan.	205	185
	April	205	177
	July	220	186
	Oct.	225	196
1920	Jan.	251	213
	April	268	223
	July	265	229
	Oct.	227	233
1921	Jan.	179	221
	April	156	210
	July	150	203

In the first place the general appearance of inflation as far as prices are concerned is pretty plain. This period evidently falls into three divisions. First the rapid climbing of wholesale prices beginning with the big increase in European purchases and ending with the establishment of our price control machinery during the first year after our entering the war. During this period the gulf between wages and the prices received for products had widened to such an extent that Government Boards when given authority could not do other than arrest future increases in prices due to government financing. That gulf remained until the middle of 1920. As a result, as I will show later, profits remained far above pre war levels right up to 1921. The second division of the inflation period is marked by a slow rise in prices, but basic materials are controlled. This division of the period extending until after the Armistice shows clearly the effectiveness of social control in these matters.

In sharp contrast appears the final period of inflation covering the period February 1919 to May 1920. It shows clearly the results of "less government in business", during a period when the manufacture of artificial purchasing power has not been curbed.

During this period the index number of prices again jumps from 197 up to a peak of 272. The index number given at three months jumps from 205 to 268. You will notice that this abrupt increase in wholesale prices has no relationship to per capita earnings. This is the period in which, according to ex-President Wilson, "the reins were taken off industry" and the direction of reconstruction and readjustment after the war left in the hands of able business men. The sharp peak of the wholesale price curve stands as a monument to their ability and social vision.

Those able business men who advised the president (perhaps forced the president) to relax the control established in the interests of the community, were absolutely responsible for the increase in prices and wages which followed. And yet they are loudest in condemning labor for what they choose to call the inexcusable rise in wages.

As a matter of fact the period of government credit expansion was at an end. Government credit and purchasing power were relatively inexhaustible. But such an inexcusable increase in prices fell directly on the purchasing power of the consumer and on the normal credit strength of the government. It broke the purchasing power of the consumer and strained the credit of the community.

Remember that it takes several months for wholesale prices to reach the public. When these prices appeared ~~on~~ the store counters the public simply could not buy. The peak of retail prices did not last a month. It was not a buyers strike which brought the depression, it was a buyers lock out.

And that lock out precipitated the depression, with its unemployment. These financial interests to whose guidance the business of the country was left are absolutely responsible for the drastic character of the plunge which followed. With a monopoly control of credit and prices, which I shall develop more at length, and with a monopoly control of jobs, which I shall also show figures to prove, they precipitated a lock out which by its suddenness and completeness forced the small businessman, the farmer and the wage earner to carry the whole burden of deflation. The present wage case is a part of that development.

In connection with what I have just pointed out, the following supplementary fact, stated in the language of the Congressional Joint Commission of Agricultural Inquiry is interesting: "In gen-

eral, retail margins have shown a tendency to decline as wholesale prices rose and to increase as wholesale prices declined". (Report Vol 1. p. 21). This is very important . Retail prices and wages are pretty closely tied together. Because wage rates do not increase with wholesale prices, the consumers' purchasing power cannot sustain retail prices which keep pace with wholesale prices. The interests of the wage earner, consumer and the store-keeper are therefore identical. Both tend to suffer as wages lag behind the increase in prices, and both gain slightly as wages and retail prices lag behind descending prices.

But here is the rub. The increase in prices is slow, extending over several years. But the men who profit largely in the ascent and stand to lose during the period of decline, have control of the situation and can plunge the country into deflation so suddenly and abruptly that the possible gains of the store-keeper and wage earner are entirely swallowed up by unemployment and part time. This will be developed in full a little later by an examination of changes in payrolls during the period of deflation. The purchasing power of wages as a whole does not gain during periods of deflation. The storekeepers must

attempt to carry the losses which result from stocks of high cost goods. Then the financial interests who have by intention or criminal incompetence brought the community to such a pass, tell the wage earner that the retailer is at fault for not reducing prices and tell the great body of storekeepers and professional people that the wage earner is responsible for not accepting lower wages gracefully.

General Facts Developed:

Before going further I would like to make very clear the facts which we have developed by this analysis of prices and wage changes. They are -

1. Inflation appears in a rapid rise in wholesale prices.
2. This rapid rise in wholesale prices is not shared by the wage earner or by the retailer.
3. As a result enormously increased margins to the producer and commercial capitalists bring these parties huge profits.
4. This process could be controlled as is proved by the fact that it was for a time controlled.
5. Such control was in the interest of the community.
6. Relation of such control at the request of

business resulted in an inexcusable increase in prices which ended in a buyers lock out.

7. There is no relationship throughout the period between prices charged for product and wages. Wages are not responsible for the rise in prices, prices rise first. Wages never rise as high as prices. Wage earners are not treated as partners, but merely as instruments for which a certain necessary up keep will be allowed. Thus the consumers' purchasing power is not allowed to maintain a normal relationship to prices.

PART IV

INFLATION APPEARS

IN

CORPORATE PROFITS

INFLATION APPEARS IN CORPORATE PROFITS.

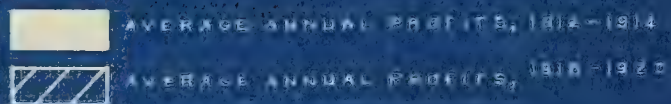
Corporate profits between 1916 and 1920 afford another point of view from which to learn something about inflation and deflation in relation to the wage problem. As already pointed out the widening gulf between the price curve and the wage curve meant nothing more than a widened margin of profit to the producer and commercial capitalist. In other words such a situation as I have pictured must, of necessity, make capital the gainer during the inflation period. In other words a number of years of inflation would leave capital in a relatively stronger position to advance its claim for an increasing share of national income.

Examination of the income statements of 172 corporations, as they appear in financial manuals and commercial publications shows clearly the extent to which this period of rising prices was intensely profitable to capital. In the appendix entitled corporate profits you will find these corporations listed singly. Here I will refer to them briefly in order to establish the fact that inequalities in the division of national income were intensified during the inflation period. The following table shows the situation by industries.

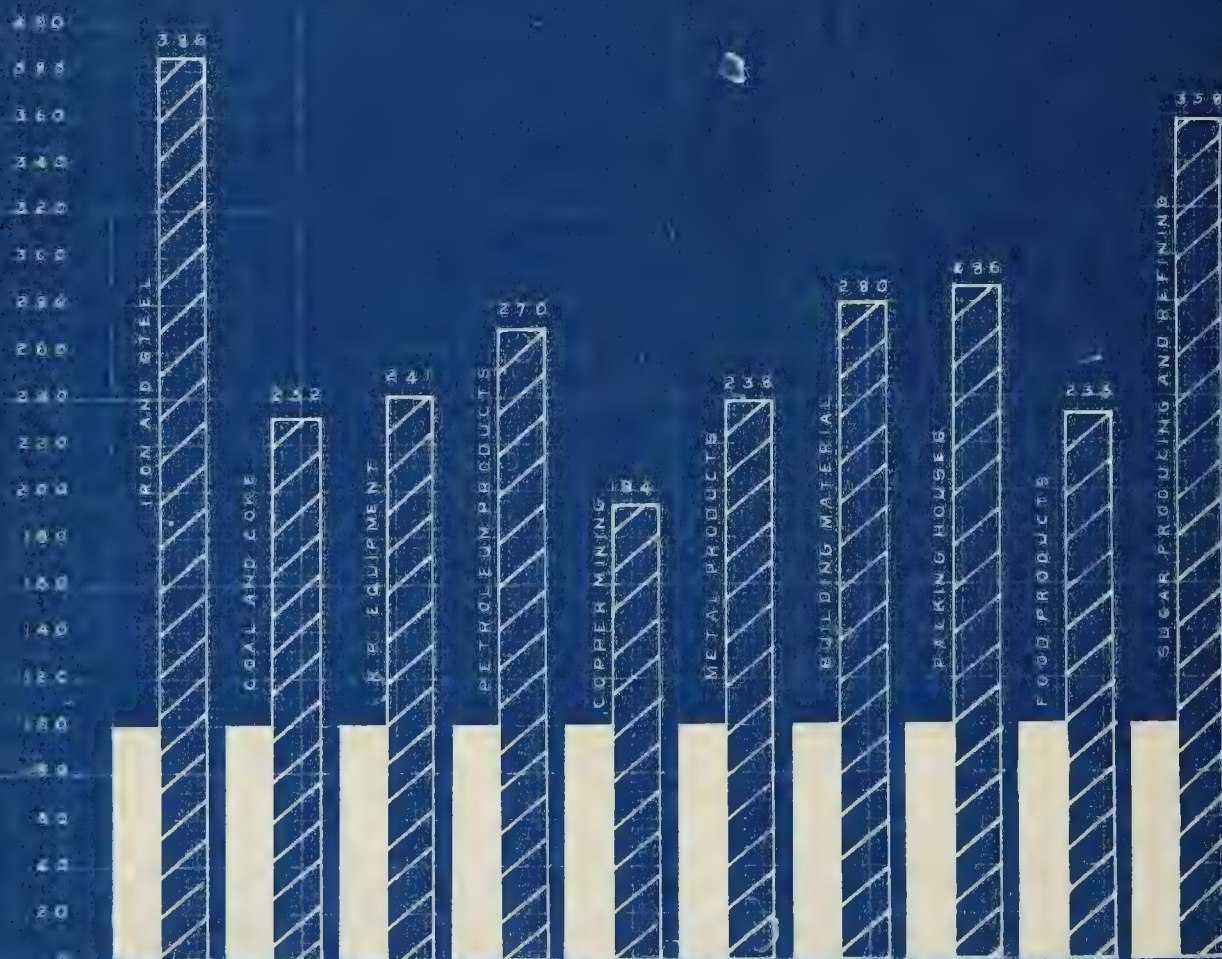
Profits of the inflation period compared
with those in previous years.

Industry	Average annual net income		No. of
	1912-1914	1916-1920	concerns
Iron and Steel	\$ 72,271,929	\$278,881,805	15
Coal and Coke	10,604,240	24,598,487	15
R.R. Equipment	15,745,728	37,988,364	7
Petroleum products	74,389,008	201,045,735	22
Copper Mining	46,563,451	90,541,716	14
Misc.Mineral Mining	16,858,814	21,794,211	5
Metal Products	18,605,471	44,224,110	11
Building Material	9,904,161	27,736,414	9
Packing Houses	20,146,784	57,612,679	5
Food Products	17,710,337	41,271,436	11
Sugar Prod.& Refining	9,822,200	35,150,697	10
Agricultural Supplies	22,933,436	37,373,118	7
Textile Mfg.	2,731,759	18,039,125	6
Clothing & Dry Goods	12,768,793	23,651,556	9
Miscellaneous	46,926,440	121,341,446	21
Mercantile & Mail Order	<u>19,576,369</u>	<u>34,396,843</u>	<u>5</u>
Total	\$414,558,920	1,095,647,742	172

CORPORATION PROFITS AS AN INDICATION OF INFLATION



INDEX NUMBERS BASED ON 1912-1914 PROFITS = 100



Index Numbers of Increases in Annual

Net Income.

1912 - 14 = 100

Industry	Index Numbers
Iron & Steel	386
Coal & Coke	232
R. R. Equipment	241
Petroleum Products	270
Copper Mining	194
Metal Products	238
Building Material	280
Packing Houses	286
Food Products	283
Sugar Producing & Refining	258

The profits of these corporations for five years ran at an annual rate of \$1,000,000,000. This means that they were earning the equivalent of their entire capital stock every five years. This annual average net income exceeded the pre war average by \$600,000,000 - or a total excess during the five years of \$3,000,000,000. The total capital stock increased from an average of \$4,567,373,874 in 1912-1914, to an average of \$5,413,524,592. "In other words, whereas in the pre-inflation period net income was equivalent to 9.1% on capital stock, in the inflation period the rate rose to 20.0%.

A glance at the following table will show that the sugar producing corporations earned the full amount of their capital stock in the five inflation years. In less than three of the years the packing houses have earned the full amount of their pre-war capital stock. In four years they showed total net income equivalent to their increase capitalization of war time earnings. It required less than two years for the petroleum companies to earn profits equal to their entire pre war capital stock. In three years they had earned profits equal to the entire amount of their largely increased average capital stock of the inflation period. Copper mining fared as well, earning in three years more than their entire capital stock. It took approximately four years for the metal products industry to pile up profits equal to its capital stock. While the steel industry, in the course of the inflation period took profits equal to its enormous and inflated capital stock. Finally the textile industry may be classed with these chief industries of America; during the inflation period its profits also multiplied until they equaled the entire pre war capital stock. This is surely an extraordinary

record of the benefits derived by capital from the inflation period. It serves conclusively to prove the correctness of the conclusions which we drew from the excessive increase in prices as contrasted with wages.

The average per cent earned on capital stock is shown by industries in the following table:-

19.

Per Cent Earned on Capital Stock
Inflation Period Contrasted With Preceding Period.

Industry	Average Annual Per Cent Earned on Average Capital Stock.	
	1912-1914	1916-1920
Iron & Steel	6.1%	20.7%
Coal & Coke	7.0	15.8
R.R. Equipment	7.3	16.9
Petroleum Products	22.6	34.1
Copper Mining	20.7	35.8
Misc.Mineral Mining	8.6	11.6
Metal Products	12.0	24.8
Building Material	5.7	15.0
Packing Houses	14.4	24.7
Food Products	7.5	13.8
Sugar Producing & Refining	6.1	21.2
Agricultural Supplies	7.4	11.5
Textile Mfg.	3.5	18.1
Clothing & Dry Goods	6.5	11.4
Miscellaneous	7.0	14.6
Mercantile & Mail Order	13.4	18.2
Total	9.1	20.0

In general, then, this group of corporations not only doubled its net profits expressed in dollars but doubled its rate of profit referred to capital stock. The profits of certain well known concerns are notable. U. S. Steel Corporation showed an average net income of \$163,954,497 per year as compared with an average of \$52,984,601 during the years 1912-1914. This corporation tripled its net income. Bethlehem steel did better than that, increasing the annual average from \$4,258,788 to \$23,332,158.

Big coal producers come in for their share of the gains of the inflation period. Pittsburg Coal Co. the largest from which returns were available showed an increase in average net profits from \$2,040,937 during the years 1912-1914 to \$7,976,119 during the inflation period.

Baldwin Locomotive doubled its rate of earnings, the net income increasing from an average of \$2,688,867 per year in 1912-1914 to an average of \$5,475,449 per year in the inflation period. American Car and Foundry more than tripled its average net income, increasing it from \$2,740,248 during the

years 1912-1914 to \$9,316,327 in the inflation years

Swift & Co. doubled its annual average net income, increasing it from \$9,067,647 to \$19,062,568. Armour & Co. shows an even larger proportional increase from \$6,413,250 during the years 1912-1914 to \$17,259,149 during the inflation period. Morris & Co. lifted its net income from an annual average of \$1,978,441 to an annual average of \$14,413,293.

These Packing House profits are peculiarly interesting because they were capitalized and thus became a right to future increased returns from the food industry. Prior to the war Swift & Co. was capitalized at \$75,000,000 and Armour & Co. at \$20,000,000. Swift is now capitalized at \$150,000,000 and Armour at \$200,670,300. Reports do not indicate that either of these companies is producing a very much greater supply of meat products than it was before the period of inflated profits. Certainly the country did not need capital expansion in the industry to the extent shown. The increases are related solely to earnings, and the effect will consequently be felt by wage - earners all over the country. I will refer to this tendency again. I wish now to take up the best evidence available as to the total corporate income of the country during each of the periods.

Profits of All Corporations

The National Bureau of Economic Research has made a thorough study of the profits of all corporations in the country, based upon study of the income tax returns and other sources. The following table shows the results of this study. The first column shows the actual reported net income of all corporations having a net income for the respective years. Due to the great increases in taxation for war purposes, however, excise and income taxes must be deducted to get an estimate of net profits. The extent of such deductions is given in column two. In estimating total profits, there must be a further deduction for the deficits. This is given in column three. The final net income is the result in column four.

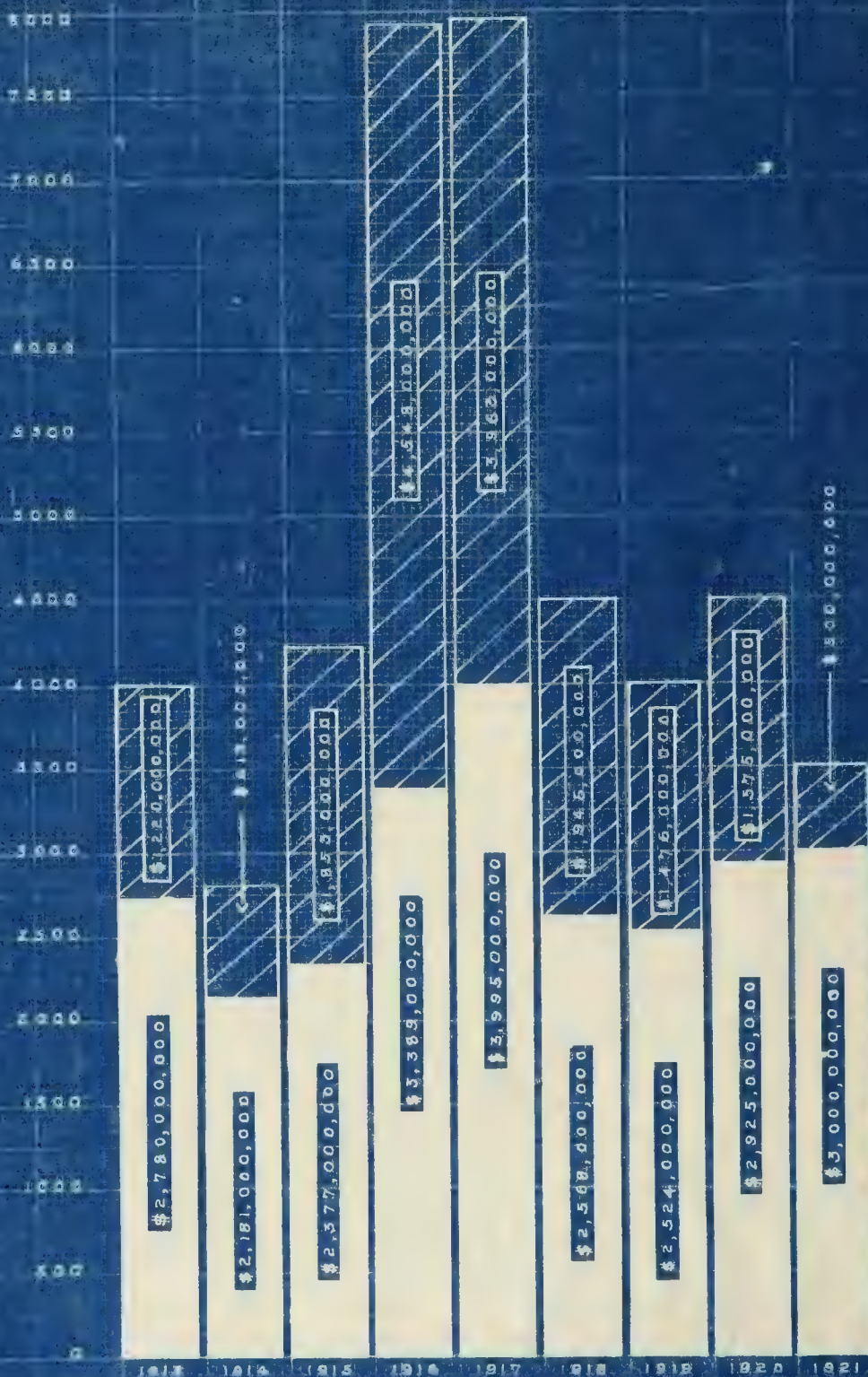
Net Income of All Corporations (National Bureau of Economic Research)

	<u>Reported Income</u>	<u>Excise and Income Taxes</u>	<u>Deficits</u>	<u>Est. Net Income</u>
1913	\$4,714,000,000	\$ 47,000,000	\$ 928,000,000	\$4,000,000,000 (3)
1914	3,940,000,000	39,000,000	1,217,000,000	2,800,000,000 (3)
1915	5,310,000,000	53,000,000	1,027,000,000	4,230,000,000
1916	8,766,000,000	172,000,000	657,000,000	7,937,000,000
1917	10,730,000,000	2,142,000,000	630,000,000	7,958,000,000
1918	8,362,000,000	3,159,000,000	690,000,000	4,513,000,000
1919	7,100,000,000	2,600,000,000	500,000,000	4,000,000,000
1920 ⁽⁴⁾	<u>7,000,000,000</u>	<u>1,500,000,000</u>	<u>1,000,000,000</u>	<u>4,500,000,000</u>
Total	\$55,922,000,000			\$39,938,000,000

(3) In estimating net income in early years, additions are made for income not reported. This accounts for seeming discrepancy in total.

(4) Estimated on the same basis as previous calculations of N.B.E.R.

DIVIDENDS AND ADDITIONS TO CORPORATE SURPLUS, 1913 - 1921 ALL CORPORATIONS



 ADDITION TO SURPLUS
 DIVIDENDS
 CORPORATE NET INCOME

Note the tremendous total of net income reported for the 8 years, \$55,922,000,000. The sum staggers the imagination. It means an average net income of over \$7,000,000,000. After all taxes have been deducted, and all deficits have been subtracted the total net corporate profits remain at approximately \$40,000,000,000.

Another fact is interesting. During the years 1913 to 1918 net income reported averaged \$4,654,600,000. During the latter years, however, it ran at a rate of \$8,391,600,000 or nearly twice as large. Even with the deduction of war taxes and deficits, the average net income remaining during the years of inflation exceeds the average income of pre war years by over \$2,000,000,000.

Of course, these enormous sums did not all go out in dividends. Large portions were added to corporate surplus. The National Bureau of Economic Research has carefully worked out the apportionment of net income as follows:

Apportionment of Corporate Net Income
(National Bureau of Economic Research)

	<u>Est. Net Income</u>	<u>Estimated Total Dividends</u>	<u>Estimated Addition To Corporate Surplus</u>
1913	\$ 4,000,000,000	\$ 2,780,000,000	\$ 1,220,000,000
1914	2,800,000,000	2,181,000,000	619,000,000
1915	4,230,000,000	2,377,000,000	1,853,000,000
1916	7,937,000,000	3,389,000,000	4,548,000,000
1917	7,958,000,000	3,995,000,000	3,963,000,000
1918	4,513,000,000	2,568,000,000	1,945,000,000
1919	4,000,000,000	2,524,000,000	1,476,000,000
1920	<u>4,500,000,000</u>	<u>2,925,000,000</u>	<u>1,575,000,000</u>
Total	\$39,938,000,000	\$22,739,000,000	\$17,199,000,000

Most of us would say that the total dividend payments, amounting to \$22,739,000,000 , in the course of eight years was a pretty good showing. The additions to corporate surplus, totaling \$17,199,000,000 are enormous. This corporate surplus was accumulated for two main purposes:

- (1) For the expansion of physical plant.
- (2) For reserves to protect the corporation against future losses during the deflation period.

This last fact is very important. It means that the corporations were certain that prosperity was on a false basis and that they were hording away enough to carry them through the deflation without hardship. Evidently capital came out of the inflation period equipped to carry the burden of the deflation period. This will be referred to more at length later on, when we consider the question as to what part of the community is not bearing its share of the deflation. The nation accumulates capital for building plants and savings to make lean years less hard. Corporations are today the custodians. Shall they be allowed to use these savings of the nation to guaranteed property a continuation of fat incomes during periods when wages are falling and millions are without work?

Profits of Identical Corporations, 1913 - 1920

The previous section gives a picture of the situation of all corporations, small and large, efficient and inefficient, fortunate and unfortunate. In order to assess the situation of the larger corporations in control of the major necessities, and at the center of the Nation's economic life, it is necessary to trace the fortunes of a smaller group of identical large corporations throughout the period in question. The following

NET INCOMES of 205 INDUSTRIAL CORPORATIONS (IN MILLIONS)

NATIONAL BUREAU
of
ECONOMIC RESEARCH

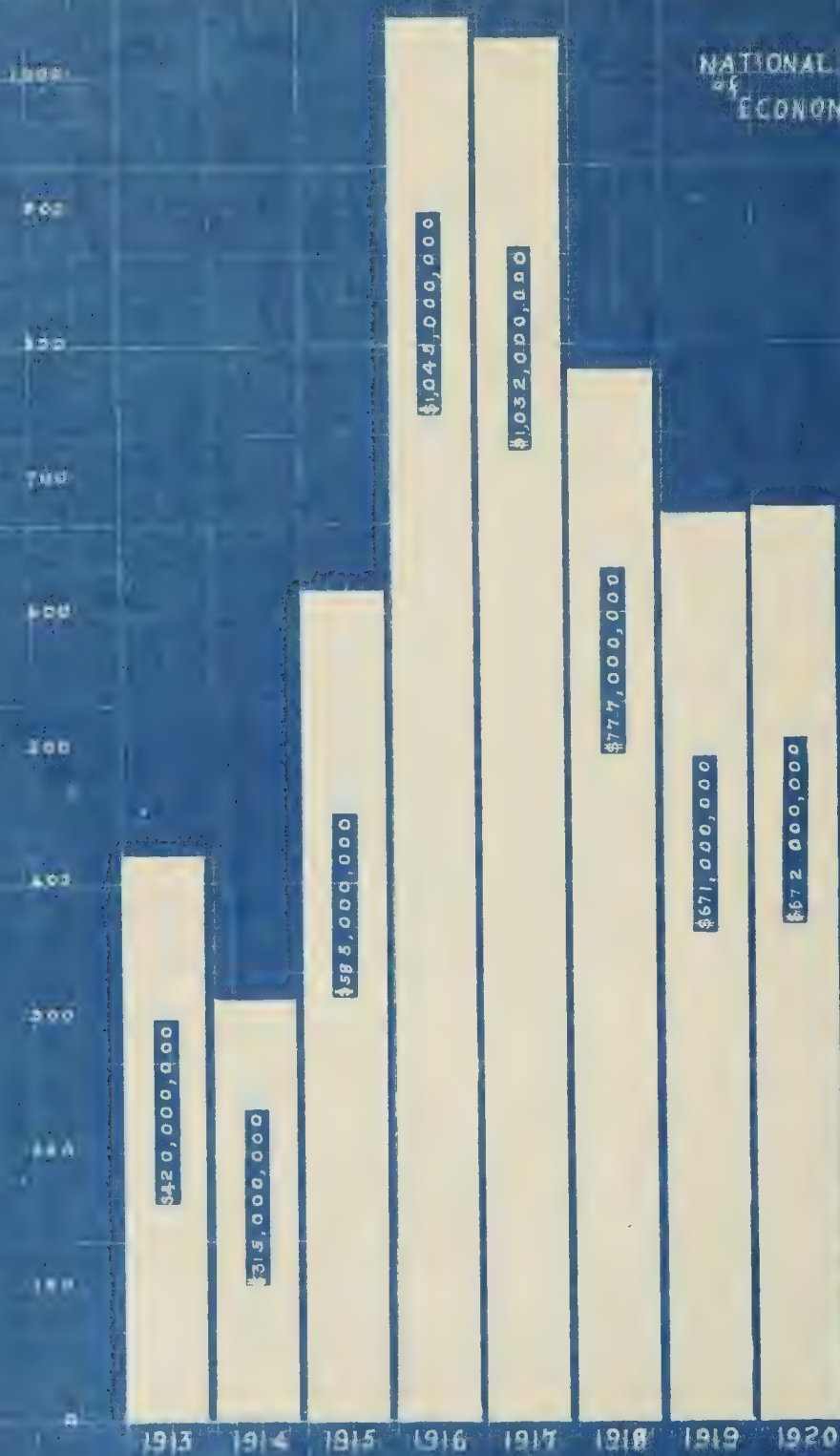


table shows the net earnings of 205 large industrial corporations:

Net Income of
205 Industrial Corporations
(National Bureau of Economic Research)

1913	\$ 420,000,000
1914	315,000,000
1915	585,000,000
1916	1,045,000,000
1917	1,032,000,000
1918	777,000,000
1919	671,000,000
1920	672,000,000 (Estimated)

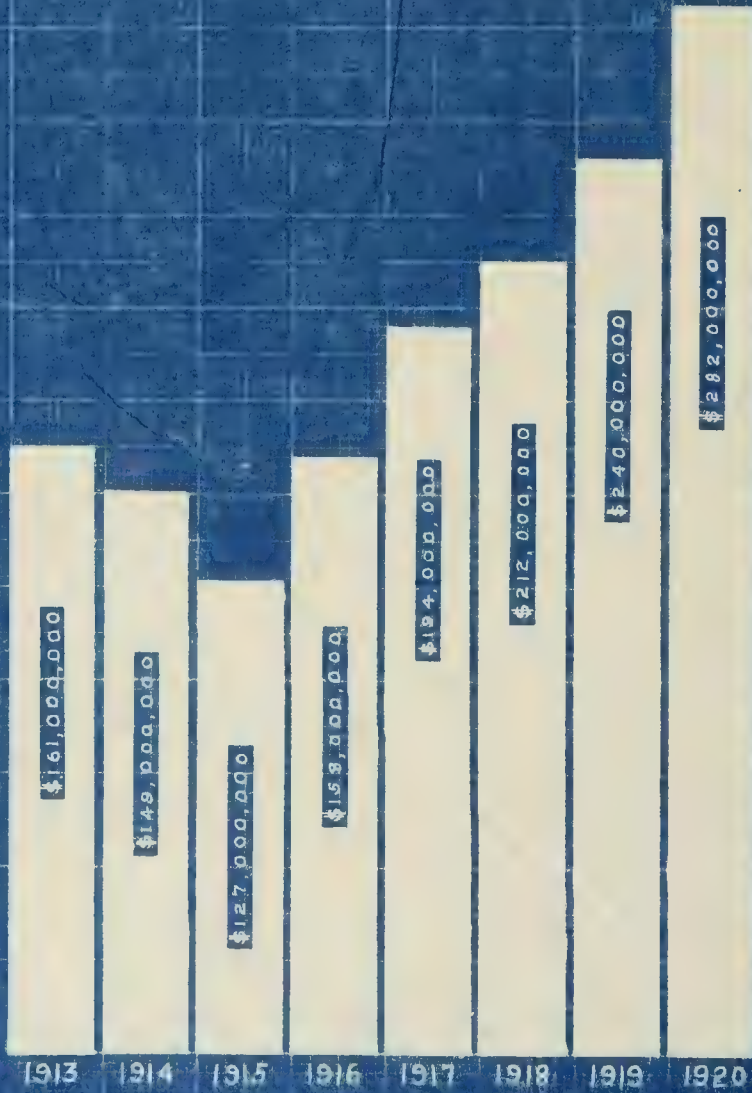
The extraordinary levels reached by the income of these corporations during the period when prices ranged farthest ahead of wages are shown graphically on the chart which faces this table.

Profits of National Banks

In any consideration of corporate profits during this period, the National banks should ^{Not} be neglected. The figures covering their net income as published by the Controller of Currency show clearly that the inflation period meant a steady increase in the profits of these institutions. These net earnings are shown in the following brief table.

EARNINGS OF NATIONAL BANKS, 1913 - 1920

(COMPTROLLER OF THE CURRENCY)



Earnings of National Banks
 (Controller of the Currency)
Comptroller

1913	\$ 161,000,000
1914	149,000,000
1915	127,000,000
1916	158,000,000
1917	194,000,000
1918	212,000,000
1919	240,000,000
1920	282,000,000

The chart facing this table shows the development of National bank income graphically.

Dividend and Interest Payments

As a final indication of the steady increase in the returns actually paid to investors by corporations, I wish to call attention to the following summary of dividend and interest payments published by the New York Journal of Commerce. These figures represent monthly average payments.

Dividend & Interest Payments
 (N.Y. Journal of Commerce)

Mo. Av. 1913	\$ 148,000,000
" " 1914	149,000,000
" " 1915	155,000,000
" " 1916	178,000,000
" " 1917	199,000,000
" " 1918	252,000,000
" " 1919	266,000,000
" " 1920	285,000,000

Later in my presentation I am going to show that the expenditures of families with higher incomes are not affected

in the same degree or to the same amount by changes in the cost of living as are incomes which are entirely absorbed in providing the mere essentials of existence. The payment of such enormous returns to property; rising to over \$3,000,000,000 a year for three years running, when added to the unusual accumulation of surpluses, meant very large sums in the hands of the rich awaiting an opportunity for investment. Here are returns actually paid to property totaling over \$19,500,000,000 in the course of 8 yrs.

This fund available for investment together with the capitalization of large but unstable war earnings had results which in part explain the present disjointed industrial situation. I shall deal with this at some length later on. Here I want to point out that the spending or investing of larger and larger income from property tends to crowd productive labor out of its share in national income. The organization of the nation for the business of life is getting top heavy.

Increase in Capitalization and Fixed Charges

The situation is clearly foretold in the great increases in capitalization and fixed charges. These increases were in most cases made on the assumption that the expansion of profits, and of the total National income, was permanent, rather than being due to a temporary inflation.

	Amount	Index 1913 - 100	Index of Corporate Income
1913	\$ 1,644,000,000	100	100
1914	1,440,000,000	87	70
1915	1,440,000,000	87	106
1916	2,180,000,000	133	198
1917	1,524,000,000	93	199
1918	1,344,000,000	82	113
1919	3,024,000,000	184	100
1920	3,108,000,000	189	112

Here is something over \$15,000,000,000 added to the capitalization of existing corporations. Observe the great increase in new capital issues in 1919 and 1920. These amounted to a capitalization of the large earnings of previous years, although corporate earnings had already shrunk considerably. This must lead inevitably to an attempt to secure a larger share of the national income for the owners of these corporate securities in order to maintain an appearance of real value behind them. An examination of the next table which shows the total capitalization of new corporations during the inflation period will make the situation even clearer.

Note that the table includes an index number showing the rate of growth of new incorporations also an index number tracing the changes in corporate income for purposes of comparison. It must be remembered that interest and dividends on all new capital must come out of corporate income, and that the existence of increased capital means great pressure to increase the size of total corporate profits.

New Corporations
(N.Y. Journal of Commerce,
Principal Eastern States)

	Amount <hr/>	Index <hr/> 1913-100	Index of <hr/> Corporate Income
1913	\$2,064,000,000	100	100
1914	1,440,000,000	70	70
1915	1,980,000,000	96	106
1916	3,324,000,000	161	198
1917	4,476,000,000	217	199
1918	2,196,000,000	106	113
1919	12,684,000,000	613	100
1920	15,000,000,000	725	112

This table bears eloquent testimony to the hopes raised by the large profits of the War and the inflation of 1919-1920. Corporate income would have had to grow six times faster than it did to justify the new incorporations of 1919 and 1920 - insofar as these corporations represented new enterprise rather than merely a change in form of organizations.

Between additions to the capital of existing corporations and new incorporations the country enters the deflation period with nearly \$60,000,000,000 authorized additions to corporate capital. Such a situation tends ~~materially~~ to influence the wage problem as I shall show later.

The fact that the increase in capitalization to which I have just referred was out of all proportion to probable future national income appears very clearly in the following table in which the index numbers of new capital issues and new incorporations are placed side by side with the index number of national income.

Increase in Capitalization

Compared with Increase in National Income.

	<u>New Capital Issues</u>	<u>NEW Incorporations.</u>	<u>National Income.</u>
1913	100	100	100
1914	87	70	97
1915	87	96	105
1916	133	161	132
1917	93	217	157
1918	82	106	177
1919	184	613	198
1920	189	725	209

- - - - -

In reading this table it must be remembered that the index number representing national income is based on the money value of that income. In other words, although it appears that national income was in 1920 $109\frac{1}{2}\%$ more than in 1913, the fact is that in actual goods produced this represents an increase of only 15%. I shall take this matter of increase in physical production up later when I discuss

the question of amount of goods for distribution. Here I simply want to point out that even if capitalization had increased only as fast as national money income, these new stocks could not have retained their par value unless the high price level and inflation had continued, the only alternative would be that a larger share of national income should go to capital.

You see I am working toward an idea of the just share of capital and labor in the deflation which followed the inflation which I am tracing. And I am pointing out that the capitalization of this period was in terms of dollars that were only fifty cents more or less. When we come to deflation the question will naturally present itself, whether all stocks and bonds which originally represented 50 cent dollars, shall continue to hold their right to a full dollar's share in national income when the deflation begins.

Without, however getting ahead of my story, it must be clear to all that the immense over capitalization of these years of inflation must lead to one or both of two results as soon as deflation began. These are:

- (1) Immense losses of capital value.
- (2) Large share of the national income diverted to capital.

HOW HIGH PROFITS HAVE BEEN JUSTIFIED.

It has been usual to meet attacks on such high profits as I have shown with the statement that they are justified in terms of the relative insecurity of all profits. In other words, it is general belief that the investor runs a chance of making no profit when he undertakes the building up of an industry, and that he is therefore justified in taking large profits if he succeeds. Justification of large profits also rests upon the assumption that capital bears the brunt of bad years and therefore deserves to reap the chief part of the harvest of good years. According to Mr. Rockefeller's statement, quoted in another exhibit:

"In order to live the wage earner must sell his labor from day to day. Unless he can do this, the earnings from that day's labor are gone forever. Capital can defer its returns temporarily in the expectation of future profits, but labor cannot. If, therefore, fair wages and reasonable living conditions cannot otherwise be provided, dividends must be deferred or the industry abandoned."

Now I want to examine this question of the risk which capital is supposed to run. It may be that we can find some interesting facts as to the relative security of the return to capital as contrasted with the return to labor.

TWO KINDS OF RETURN BY CAPITAL.

Broadly speaking, there are two channels through which capital draws its returns out of the income of the country. These are:

- (1) Profits. These are generally paid by corporations in dividends and are supposed to be contingent upon the success or failure of the concern. Dividends are not supposed to be invariable from year to year, whether business is good or bad. If the business is badly run or consumers do not require the full service or output of the concern, it is perfectly just that these returns vanish altogether.
- (2) Interest. When a corporation finds itself unable to meet certain bills, either current or in terms of an addition to the plant, it may borrow money just as an individual might go to a loan shark and pawn a watch or mortgage a house. Money is borrowed at a certain rate of interest, and this interest must be paid, rain or shine. If the concern cannot pay the interest, the owners are dispossessed by the loan shark and the plant is either sold like the pawned watch or the house on which the mortgage has been foreclosed, or it is operated for the profit of the loan shark.

In olden time these lenders of money were called *usurers*. Today they are called bankers. The interest payable on such loans is called a fixed charge in the business. Naturally the owners of the stock in a corporation will do everything in their power to keep up the interest payments so as not to lose control of their concern. These loans, if they are to run for a long time, are generally raised by an issue of bonds, which is called the bonded debt of the corporation.

It has been pointed out that the owners will do everything in their power to keep up the interest payments. If business is bad they will, of course, feel a tremendous pressure to reduce wages of their workers so as to get a big enough margin in the small amount of product to pay interest on the bonds.

In other words, although on the old theory dividends will be suspended before wages - thereby giving a seeming first place to human life, in interest there is a form of return to capital which has a priority claim over wages - over employment and living standards.

GROWTH OF INTEREST PAYMENTS.

A generation ago nobody paid much attention to this matter of interest because industrial and transportation corporations did not carry heavy mortgages (bonded indebtedness). If they were forced to borrow money in this way, they acted like a normal man and paid it off as fast as possible in good times, so as to relieve both

stockholders and wage earners of the pressure which the fixed charges exerted on them.

But since 1890 to 1900 both small stockholders and wage earners in corporations have been feeling a heavier and heavier pressure from the "fixed charges". Today in the Iron and Steel Industry and the Railroad Industry particularly, the wage earners are facing this pressure in the justification for severe wage reductions on the ground that without them the corporations cannot meet these fixed charges and will go bankrupt.

6 It is not the intention here to trace growth of railroad bonded indebtedness until it represents more than one-half the capital liabilities, over \$11,000,000,000. This usurers mortgage in the transportation system will be discussed in another part of the case. Here the purpose is only to note the recent intensification of this program, and to note its significance as it concerns wages.

PREDOMINANCE OF BOND ISSUES IN RECENT YEARS.

The following table traces the issue of Railroad securities since 1914:

ISSUES OF RAILROAD SECURITIES - 1914 - 1921.

<u>Year.</u>	<u>Bonds.</u>	<u>Notes.</u>	<u>Stocks.</u>
1914	\$ 433,000,000	\$ 422,000,000	\$ 75,000,000
1915	541,000,000	217,000,000	22,000,000
1916	359,000,000	511,000,000	110,000,000
1917	174,000,000	308,000,000	39,000,000
1918	159,000,000	257,000,000	1,000,000
1919	135,000,000	73,000,000	-
1920	356,000,000	22,000,000	-
1921	639,000,000	16,000,000	-
TOTAL	\$2,796,000,000	\$1,626,000,000	\$237,000,000

- - - - -

It will be noted that Bonds and Notes issued exceed stocks issued almost twenty to one. These represent the railroads dealings with the money lenders - they create fixed charges. The growth of such fixed charges as it affects the workers is similar to the growth of a mortgage on the farm.

Of even more interest, however, is the growth of bonded indebtedness in connection with industry and public utility corporations. This is shown in the following table:

ISSUES OF INDUSTRIAL AND PUBLIC UTILITY SECURITIES

1914 - 1921.

<u>Year.</u>	<u>Bonds.</u>	<u>Notes.</u>	<u>Stocks.</u>
1914	\$ 215,000,000	\$ 104,000,000	\$ 127,000,000
1915	242,000,000	111,000,000	202,000,000
1916	535,000,000	200,000,000	672,000,000
1917	349,000,000	244,000,000	416,000,000
1918	191,000,000	441,000,000	296,000,000
1919	499,000,000	467,000,000	1,566,000,000
1920	878,000,000	639,000,000	1,071,000,000
1921	1,276,000,000	210,000,000	278,000,000
 TOTAL	 \$4,185,000,000	 \$2, 416,000,000	 \$4,788,000,000

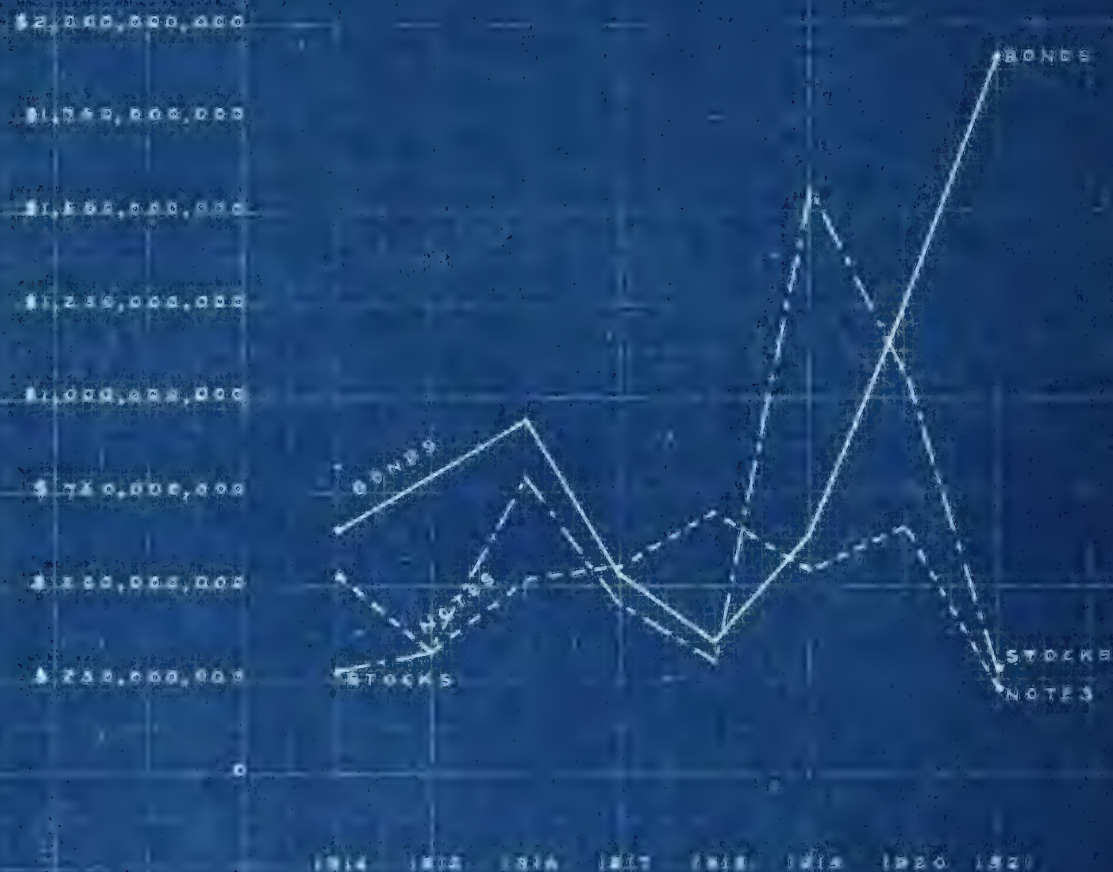
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Although heavy fixed charges have been more characteristic of the railroad than of other corporations, it will be noted that Bonds alone nearly equal the issue of stocks during the eight years shown, and that liabilities carrying fixed charges amount to half again as much as the securities which take the fortunes of business, according to accepted theory.

Continuing these two tables we get an interesting set of totals showing the increasing tendency to create bonded indebtedness or fixed charges throughout industry:

BONDS, NOTES, AND STOCKS ISSUED BY RAILROAD AND INDUSTRIAL CORPORATIONS: ANNUAL TOTALS 1914 - 1921

(UNIT - \$1,000,000,000)



ISSUES OF CORPORATE SECURITIES.

1914 - 1921.

<u>Year.</u>	<u>Bonds.</u>	<u>Notes.</u>	<u>Stocks.</u>	<u>Total.</u>
1914	\$ 648,000,000	\$ 526,000,000	\$ 262,000,000	\$ 1,436,000,000
1915	783,000,000	328,000,000	324,000,000	1,435,000,000
1916	894,000,000	511,000,000	782,000,000	2,187,000,000
1917	523,000,000	552,000,000	455,000,000	1,530,000,000
1918	350,000,000	698,000,000	297,000,000	1,345,000,000
1919	624,000,000	540,000,000	1,566,000,000	2,740,000,000
1920	1,234,000,000	661,000,000	1,071,000,000	2,966,000,000
1921	1,915,000,000	226,000,000	278,000,000	2,419,000,000
<hr/>				
TOTAL	\$6,981,000,000	\$4,042,000,000	\$5,035,000,000	\$16,058,000,000

The accompanying chart gives a graphic picture of the corporate financing shown here.

Aside from the enormous amount represented by the bonds and notes issued, the most interesting fact in the table is abrupt increase in the bonds issued during 1920 and 1921, when the money rate was fairly high but the prospects for profits declining. During this period it was also reported that financiers were absorbing bonds at low prices. This may indicate two things: (1) The intention to guarantee their right to feed on national income even at the expense of bread to the many. (2) The intention to use the control of bonds (fixed charges) as a means to exerting pressure in the direction of securing control of corporations not completely dominated, and also of breaking down labor's attempt to share the control of its own life.

INCREASE IN RATES OF INTEREST.

As I have shown, Capital is rapidly increasing its fixed returns by the issue of bonds. But this is not the only basis on which the income guaranteed to capital has been increased during the last two years. For years the rate of interest on railroad and public utility bonds was about 4%. Yet a compilation of recent bond issues shows the average yield to be as follows:

RATE OF INTEREST OF NEW BOND ISSUES.

(Compiled from Financial Review and Commercial and Financial Chronicle.)

	<u>Average Yield.</u>	
	<u>1919.</u>	<u>1920.</u>
Railroad	5.92%	6.94%
Public Utility	6.68	7.63
Industrial	6.59	7.28

The shifting of the rate of interest is shown graphically by the following table of municipal bond issues. Whereas in 1901, 49% of the total bore ~~4 1/2~~ 5% interest, in 1920 49% bore higher than 5% interest.

MUNICIPAL AND STATE BONDS.

Comparative Interest Rates (Excluding New York City Sinking Fund Takings)

Commercial and Financial Chronicle

Interest Rate Per Cent.	1920	Per Cent of Total.	1929	Per Cent of Total	1906	Per Cent of Total	1901	Cent of Total.
3	\$ ----	\$ -	\$ ----	\$	\$ 5,257,456	\$ 2.77	\$ 19,971,249	\$ 14.25
3½	13,831,468	2.04	5,000	0.00	19,169,650	10.09	68,693,268	49.00
4	24,232,654	3.58	17,350,724	2.54	120,130,280	63.22	27,576,476	19.67
4½	3,533,000	0.50	21,641,700	3.16	254,000	9.13	229,000	0.17
4¾	66,725,866	9.66	130,661,231	19.11	14,598,010	7.68	5,214,978	3.72
5	192,745,879	28.48	278,322,949	40.71	17,436,088	9.18	9,301,985	6.63
Higher than								
5	332,701,740	49.15	149,596,507	21.88	7,146,959	3.76	2,758,797	1.97
Unusual	43,253,638	6.39	86,230,754	12.60	6,027,828	3.17	6,439,746	4.59
TOTAL	\$676,864,555	\$100.00	\$583,808,914	\$100.00	\$190,020,271	\$100.00	\$140,185,499	\$100.00

subsistence necessary to maintain a working force to man the factories.

Our analysis of a great amount of data has also convinced us that it is the ability of those who control jobs to force producers to bear the burden of deflation in reduced purchasing power which intensifies and prolongs these periods of depression and unemployment. In the last analysis it is the consumer's purchasing power directed toward procuring the necessities of life which drives industry. From the production of iron ore to the baking of bread, the whole process is answering the demand of the consumers for food, clothing, housing and fuel. Therefore the way to steady the whole system is to consider of first importance steady and adequate purchasing power in the hands of the millions of families composing the country.

In the light of this point of view I want you to look at the curves on our charts. They show the extent to which the purchasing power of the community is denied any kind of stability as a result of making profits and not human well-being the end of industrial and business activity. Contrast the instability of labor's purchasing power with the relative stability which we have just shown to have been achieved by capital.

Deflation of the Automobile Industry.

The following table with its accompanying chart shows the abrupt break in the purchasing power of automobile workers as a group. It also shows the creation of a large enough surplus of labor to break the labor market in that industry. The two tables covering this industry are based on payroll figures reported to the N.Y. State Industrial Commission.

120
110
100
90
80
70
60
50
40
30
20
10
0



NEW YORK STATE TOTAL WAGES & EMPLOYMENT
AUTOMOBILES, CARRIAGES, & AEROPLANES.
MONTHLY INDEX NUMBERS, 1918-21

JAN. 1918 = 100

JAN 1918 FEB 1918 MAR 1918 APR 1918 MAY 1918 JUN 1918 JUL 1918 AUG 1918 SEP 1918 OCT 1918 NOV 1918 DEC 1918 JAN 1919 FEB 1919 MAR 1919 APR 1919 MAY 1919 JUN 1919 JUL 1919 AUG 1919 SEP 1919 OCT 1919 NOV 1919 DEC 1919 JAN 1920 FEB 1920 MAR 1920 APR 1920 MAY 1920 JUN 1920 JUL 1920 AUG 1920 SEP 1920 OCT 1920 NOV 1920 DEC 1920

TOTAL PAYROLL AND NUMBLR EMPLOYED
IN MANUFACTURE OF AUTOMOBILES, CARRIAGES AND AIRPLANES
AS REPORTED TO NEW YORK STATE INDUSTRIAL COMMISSION
 (INDEX NUMBERS BASED ON JANUARY 1918 = 100)

TOTAL PAYROLL

	1918.	1919.	1920.	1921.
Jan.	100	115	145	78
Feb.	113	115	147	83
Mar.	126	118	161	78
April	128	115	154	87
May	130	108	157	77
June	132	110	150	76
July	125	119	146	75
Aug.	144	122	121	71
Sept.	147	130	97	69
Oct.	140	135	95	71
Nov.	129	129	88	70
Dec.	138	140	82	63

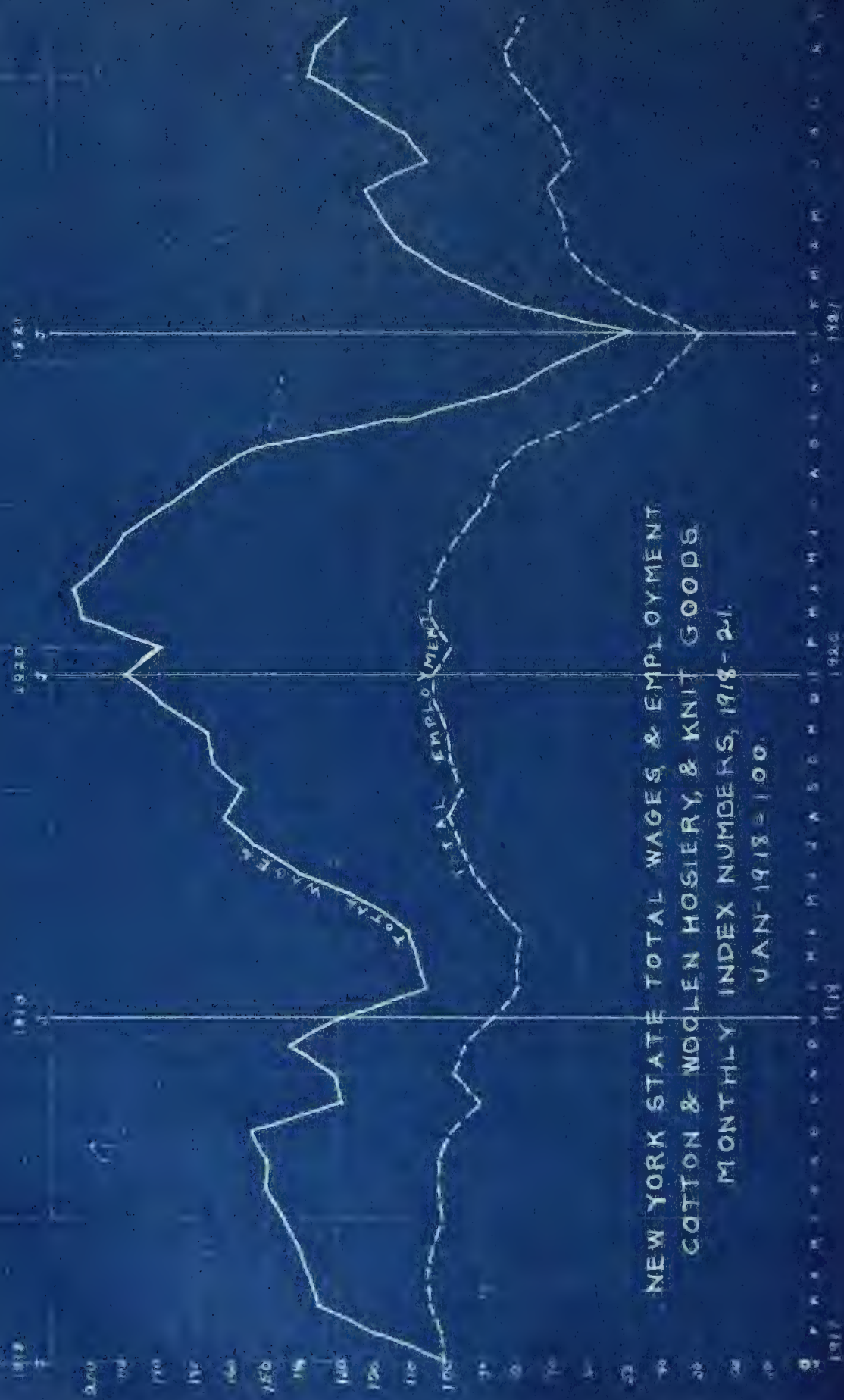
NUMBER EMPLOYED

Jan.	100	88	95	47
Feb.	101	90	96	40
Mar.	108	90	101	47
April	108	89	100	53
May	107	82	96	47
June	107	83	98	47
July	107	88	89	48
Aug.	108	89	87	47
Sept.	107	94	64	49
Oct.	102	96	59	49
Nov.	108	94	54	50
Dec.	108	93	51	46

The break in this industry came in April. Note that between March 1920 and the end of the year the purchasing power of wage earners in the automobile industry fell almost 50%. This meant a tremendous decrease in the demand for necessities of life. During the same period nearly half the wage earners in this industry were thrown on the labor market as surplus. This shows graphically the operation of the law of supply and demand in the labor market in a period of depression. The lack of stability in purchasing power accorded to wage earners as a group is very apparent in the curve of wages traced across the chart. The first problem of the country is to make the steady, adequate purchasing power of all productive workers a first charge upon production. This is the only way in which a well balanced system can be achieved. Until that is done, unemployment conferences will be futile. Tremendous drop in Purchasing Power of Knit Goods Workers.

An even more striking drop in the purchasing power of a group of workers is shown in the next tables with the accompanying chart, which shows the course of employment and total wages paid in the Cotton and Woolen Hosiery and Knit Goods Industry in N. Y. State. Glance at the line which follows the payroll. Between April, 1920 and the end of the year the total purchasing power of these wage earners was cut approximately two-thirds, the index number falling from 204 to 68. I want you to read into this what it meant in terms of decreased demand for goods and consequent intensification of the depression and of unemployment in other industries. Following the curve of

employment we note that in the same period nearly two thirds of the workers in the industry were given a taste of temporary or permanent unemployment, the index of number employed falling from 104 to 36. The surplus of Labor, a little of which tends to break the labor market, was increased to that extent. The extraordinary drop in the line following the payroll in this industry is sufficiently striking to need no further comment.



TOTAL PAYROLL AND NUMBER EMPLOYED
IN COTTON AND WOOLEN HOSIERY AND KNIT GOODS
AS REPORTED TO NEW YORK STATE INDUSTRIAL COMMISSION
(INDEX NUMBERS BASED ON JAN. 1918 = 100)

TOTAL PAYROLL

	<u>1918.</u>	<u>1919.</u>	<u>1920.</u>	<u>1921.</u>
Jan.	100	129	189	49
Feb.	119	105	179	80
Mar.	135	108	201	97
April	138	110	204	111
May	141	122	195	117
June	145	140	190	122
July	150	153	177	105
Aug.	150	162	168	111
Sept.	154	156	154	124
Oct.	129	165	110	138
Nov.	131	166	80	136
Dec.	144	179	68	128

NUMBER EMPLOYED

	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>
Jan.	100	87	103	29
Feb.	101	80	99	47
Mar.	104	80	104	59
April	105	79	104	66
May	104	86	100	68
June	101	92	95	71
July	102	96	89	65
Aug.	102	99	86	68
Sept.	99	95	78	74
Oct.	90	98	59	81
Nov.	98	99	43	83
Dec.	95	103	36	79

U. S. Department of Labor figures for this same industry show the same break in the purchasing power of the wage earners for the country as a whole. In the following table it appears that the total number employed began to fall off in May, 1920. By January 1921 the index number has fallen from 108 to 50 or by approximately 54%. Over half of the employees made potential competitors for the jobs still held by the other half. During the same period the payroll index drops from 251 to 89, a decrease in purchasing power amounting to nearly 65%.

These decreases are shown graphically in the chart facing the table.

U.S. DEPT. OF LABOR TOTAL WAGES & EMPLOYMENT HOSIERY & UNDERWEAR

MONTHLY INDEX NUMBERS, 1919-21.
JAN, 1916=100.



JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN 1921

TOTAL PAYROLL AND NUMBER EMPLOYED
IN HOSIERY AND UNDERWEAR
AS REPORTED TO U. S. DEPT. OF LABOR
(INDEX NUMBERS BASED ON JAN. 1916 = 100)

TOTAL PAYROLL

	1919	1920	1921
Jan.	159	229	89
Feb.	144	219	113
Mar.	141	239	129
Apr.	140	251	139
May	157	243	148
June	179	240	152
July	187	205	138
Aug.	195	195	155
Sept.	195	176	155
Oct.	201	148	169
Nov.	200	119	168
Dec.	223	97	-

NUMBER EMPLOYED

	1919	1920	1921
Jan.	97	107	50
Feb.	90	106	60
March	90	107	68
Apr.	91	108	73
May	94	105	78
June	99	100	80
July	101	97	77
Aug.	102	92	81
Sept.	101	86	85
Oct.	105	77	89
Nov.	105	68	92
Dec.	107	53	-

Abrupt Decrease In Purchasing Power of Workers in
Machinery Industry.

The next two tables with the accompanying chart show a similar sharp drop in the purchasing power of employes engaged in the manufacture of machinery and electrical apparatus. In connection with this industry the figures are those reported to the N. Y. State Industrial Commission. On the chart the sharp decline in total payroll is very apparent. The decline started with April, 1920. By the end of the year the purchasing power of this group of wage earners had fallen from 161 to 82 or by approximately 50%. In this industry the decrease in number employed was not so rapid but was more ^{long} drawn out. By the end of 1921 about 46 percent of the workers in the industry had been added to the ranks of surplus labor, the index number having decreased from 99 to 53. All these workers thus became potential competitors for the jobs available in this and other industries.



NEW YORK STATE TOTAL WAGES & EMPLOYMENT.
MACHINERY, INCLUDING ELECTRICAL APPARATUS.
MONTHLY INDEX NUMBERS, 1918 = 21.

JAN 1918 = 100.

TOTAL PAYROLL AND NUMBER EMPLOYED
IN MACHINERY MANUFACTURING (INCLUDING ELECTRICAL
APPARATUS) AS REPORTED TO NEW YORK STATE INDUSTRIAL
COMMISSION
(INDEX NUMBERS BASED ON JAN. 1918= 100)

TOTAL PAYROLL

	1918	1919	1920	1921
Jan.	100	115	145	78
Feb.	113	115	147	83
Mar.	126	118	161	78
April	128	115	154	87
May	130	108	157	77
June	132	110	150	76
July	125	119	146	75
Aug	144	122	121	71
Sept	147	130	97	69
Oct.	140	135	95	71
Nov.	129	129	88	70
Dec.	138	140	82	63

NUMBER EMPLOYED

Jan.	100	90	98	79
Feb.	102	88	96	81
Mar.	101	85	99	69
April	102	83	98	67
May	117	80	95	64
June	104	77	96	57
July	106	77	98	55
Aug	101	82	95	54
Sept	99	85	94	53
Oct.	95	88	93	53
Nov	101	91	88	53
Dec	98	95	85	53

Decreased Purchasing Power of Employees of the Leather Industry.

U. S. Department of Labor figures covering number employed and total payrolls in the Leather Manufacturing Industry show a similar decrease in the purchasing power of workers in this industry. This is another industry in which the decrease started in April, 1920. By the end of the year the index number which follows the state of employment of this group of workers has fallen from 115 to 75, or by about 35%. In other words over a third of the workers in the industry had been added to the army of unemployed. During the same period the payroll index number fell from 262 to 166, or by about 37%. To this extent the natural demand of this group of workers for the products of farms and factories was diminished.

The following tables with the accompanying chart show clearly these tendencies in the Leather Industry.

U.S. DEPT OF LABOR TOTAL WAGES & EMPLOYMENT. LEATHER MANUFACTURING.

MONTHLY INDEX NUMBERS, 1919-21.
JAN 1916 = 100.



JAN F M A M J J A S O N D JAN F M A M J J A S O N D JAN F M A M J J A S O N D
1914 1921

Total Payroll and Number Employed
In Leather Manufacturing
as reported to U. S. Dept. of Labor.

Index Numbers based on Jan. 1916=100

	TOTAL PAYROLL.		
	1919	1920	1921.
Jan.	191	264	142
Feb.	196	257	141
Mar.	201	262	140
Apr.	199	261	130
May.	208	259	135
June.	215	257	147
July.	223	245	147
Aug.	243	233	152
Sept.	237	198	149
Oct.	243	197	147
Nov.	242	178	145
Dec.	257	166	---

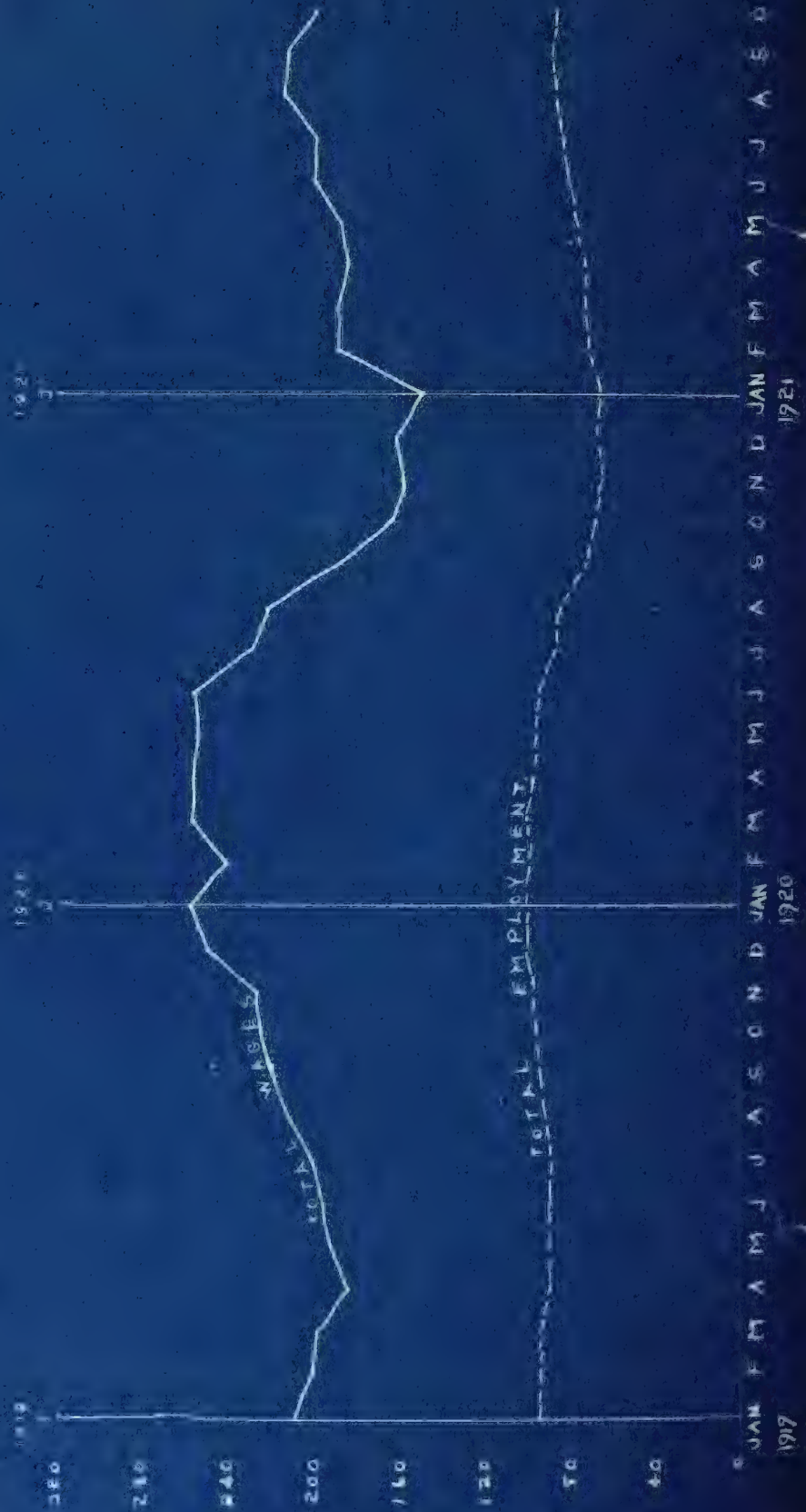
	NUMBER EMPLOYED		
	1919	1920	1921.
Jan.	101	117	73
Feb.	101	114	73
Mar.	103	115	76
Apr.	104	111	67
May.	107	109	71
June.	109	105	76
July.	110	105	79
Aug.	111	100	80
Sept.	113	92	80
Oct.	113	87	81
Nov.	114	80	85
Dec.	115	75	--

Deflation in the Boot and Shoe Industry.

Beginning with May, 1920, Department of Labor figures show the development of unemployment and decreased payrolls in the Boot and Shoe industry. This is shown in the following table of index numbers. It appears graphically in the chart which faces the table. The tendencies appear similar to those already remarked in connection with other industries, a drop in the total purchasing power of the group from an index number of 258 to a low point of 153 in January, 1921. This means that the purchasing power of these wage earners was diminished by over 40%. The effect of such a decrease in intensifying the industrial depression will be apparent. During the same period the index showing number employed fell from 101 to 67, or by something over 30%. Here again we find recruits added to the ranks of surplus workers, potential competitors for every job. Until they accept a job on the employer's conditions they will receive no income with which to support their families.

U.S. DEPT OF LABOR: TOTAL WAGES & EMPLOYMENT, BOOTS & SHOES.

MONTHLY INDEX NUMBERS, 1919-21
JAN. 1916=100



TOTAL PAYROLL AND NUMBER EMPLOYEDIN BOOTS AND SHOES.AS REPORTED TO U. S. DEPT. OF LABOR.INDEX NUMBERS BASED ON JAN. 1916 -- 100.TOTAL PAYROLL.

	<u>1919.</u>	<u>1920.</u>	<u>1921.</u>
January	211	258	153
February	201	241	189
March	200	257	189
April	185	258	186
May	194	255	188
June	197	256	201
July	201	229	200
August	215	223	215
September	220	189	213
October	225	165	200
November	228	160	194
December	251	162	-

NUMBER EMPLOYED.

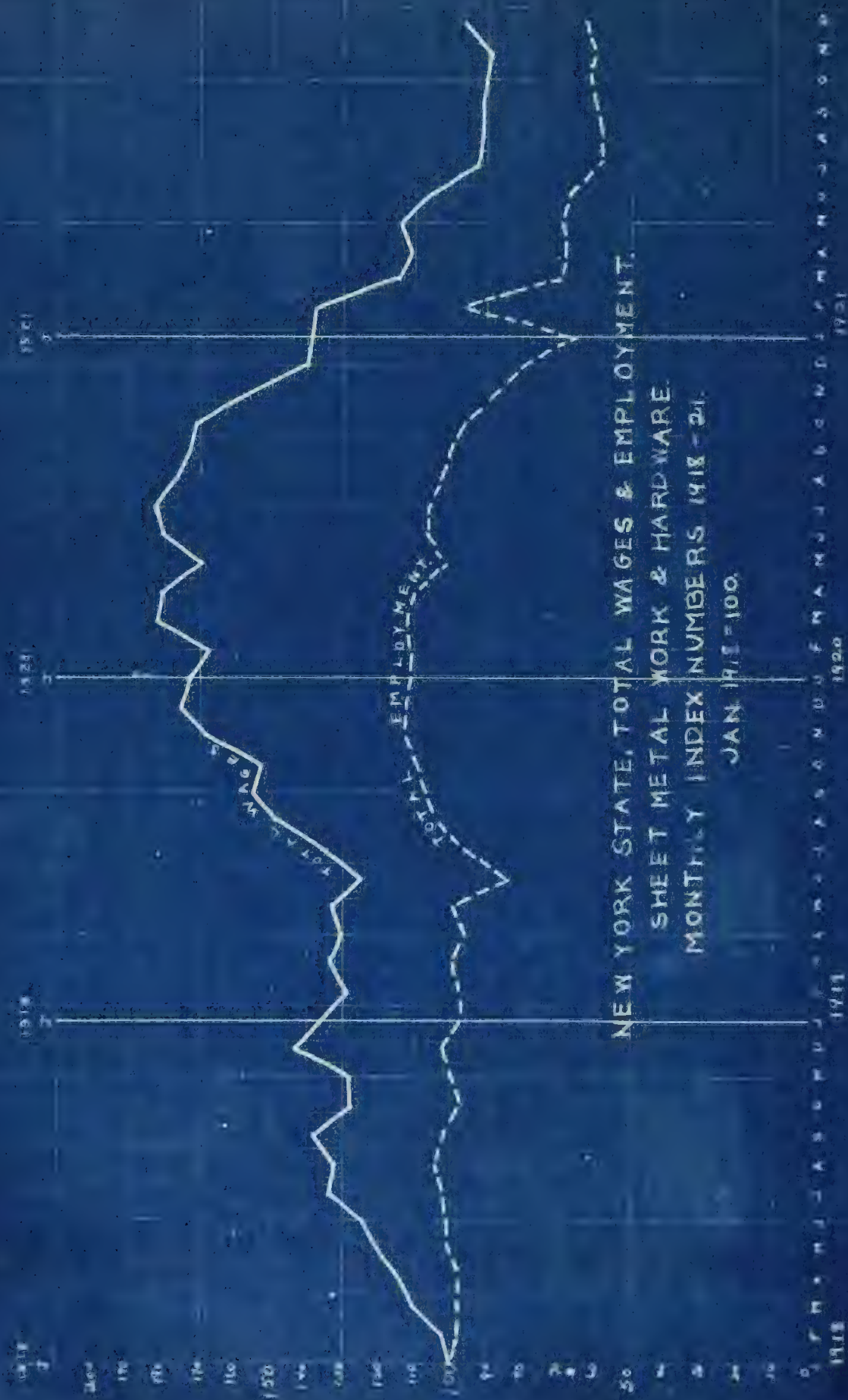
	<u>1919.</u>	<u>1920.</u>	<u>1921.</u>
January	95	102	67
February	95	100	73
March	95	101	74
April	91	99	75
May	92	97	78
June	91	96	82
July	91	88	85
August	94	87	89
September	96	74	89
October	97	71	88
November	99	67	87
December	101	68	-

Depression in the Sheet Metal and Hardware Industry.

Although not so abrupt, the decrease in the purchasing power of workers employed in sheet metal work and in the hardware industry was not less drastic. This is shown in the following table with its accompanying chart. The total payroll begins to decrease in August, 1920. By the following August it has fallen off exactly 50%, the index number having fallen from 182 to 91. The diminished purchasing power of these workers as a group is obvious. During the same period the index number which follows employment in the industry drops from 106 to 58. This means that 45% of the workers in the industry were given a taste of unemployment. They helped to increase the surplus of labor.

19.

17.



NEW YORK STATE, TOTAL WAGES & EMPLOYMENT.
SHEET METAL WORK & HARDWARE.
MONTHLY INDEX NUMBERS 1918=21.

JAN 1918=100.

U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS, NEW YORK OFFICE, JANUARY 1932

TOTAL PAYROLL AND NUMBER EMPLOYED
IN SHEET METAL WORK AND HARDWARE.
AS REPORTED TO NEW YORK STATE INDUSTRIAL COMMISSION
(INDEX NUMBERS BASED ON JAN. 1918.= 100)

TOTAL PAYROLL

	1918	1919	1920	1921
Jan.	100	136	173	113
Feb.	102	129	168	138
Mar.	110	133	182	114
April	114	131	180	111
May	120	132	169	114
June	124	125	180	106
July	133	134	182	92
Aug.	132	148	177	91
Sept.	138	155	173	91
Oct.	128	163	171	90
Nov.	128	169	156	89
Dec.	143	175	140	96

NUMBER EMPLOYED

Jan.	100	97	111	65
Feb.	98	97	111	95
Mar.	98	99	112	69
April	98	96	110	68
May	100	99	101	69
June	101	83	106	67
July	102	96	106	59
Aug.	104	103	103	58
Sept.	102	107	100	59
Oct.	97	109	96	61
Nov.	100	112	88	60
Dec.	102	112	80	62

Decreased Purchasing Power and Employment in Brass Industry.

Between September, 1920 and March, 1921, the purchasing power of the wage earners in the Brass, Copper and Aluminum Industry had been cut by 54%, the payroll index number falling from 189 to 87, according to N. Y. State Industrial Commission figures. This could mean nothing less than a sharp contraction in their demand for the products of farms and factories.

During the same period the index number of employment had dropped from 103 to 59. indicating the fact that over 40% of the employees had been thrown out of work, thus increasing the surplus of workers looking for jobs.

The development of deflation in the payrolls of this industry appears in the following table with its accompanying chart.



NEW YORK STATE, TOTAL WAGES & EMPLOYMENT.
BRASS, COPPER, ALUMINUM, ETC.,
MONTHLY INDEX NUMBERS, 1918-21.

JAN 1918 = 100

1918 1919 1920 1921
JAN FEB MAR APR MAY JUN JUL AUG SEPT OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEPT OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEPT OCT NOV DEC

TOTAL PAYROLL AND NUMBER EMPLOYED
IN BRASS, COPPER, ALUMINUM, ETC. MANUFACTURE.
AS REPORTED TO NEW YORK STATE INDUSTRIAL COMMISSION
(INDEX NUMBERS BASED ON JAN. 1918. = 100)

TOTAL PAYROLL

	1918	1919	1920	1921
Jan.	100	138	161	100
Feb.	108	138	162	90
Mar.	122	118	180	87
April	125	114	179	89
May	134	115	174	89
June	135	99	183	89
July	141	105	184	76
Aug.	136	113	181	88
Sept.	146	121	189	85
Oct.	142	148	177	89
Nov.	145	152	156	91
Dec.	153	158	118	89

NUMBER EMPLOYED

	1918	1919	1920	1921
Jan.	100	95	99	64
Feb.	99	91	98	59
Mar.	104	86	106	59
April	103	83	104	61
May	103	82	100	62
June	102	71	104	61
July	105	73	103	58
Aug.	100	81	103	63
Sept.	104	93	102	63
Oct.	98	93	100	67
Nov.	104	95	88	68
Dec.	106	98	71	67

Precipitous decline in Payrolls of three Important Industries.

The following tables showing the course of employment and total wage payments in the Paper Industry, in the Iron and Steel Industry, and in the Car Building and Repair Industry, present a remarkable picture of the so-called labor market in time of depression. The sudden creation of a large surplus of labor and the simultaneous decrease in labor's power to command the necessities of life is very apparent, particularly in the charts accompanying these tables. What kind of security or stability in the returns to labor do these charts show?

If we follow the index number which indicates the size of the payroll in the Paper industry, we find that between September 1920 and June, 1921, it fell from 241 to 101, a decrease of 48%. The number employed decreased by something over 45%, the index number falling from 123 to 66. I want you to look at the rapid fall of the two curves. They are not cold statistical propositions, but are tremendously human things. You have to put yourself in the position of the thousands of wage earners represented by the curve for each industry. Imagine yourself wholly dependent upon wages, and then bring yourself face to face with so sudden a stoppage in the opportunity to earn wages. Such conditions are treated by employers as natural and even at times desirable tendencies in the labor market. The helplessness of men without an opportunity to earn a living is used as a force for determining wage rates at a mere subsistence level, frequently below that level. It is the law of supply and demand.



NEW YORK STATE TOTAL WAGES & EMPLOYMENT
PAPER
MONTHLY INDEX NUMBERS 1918-20.
JAN 1918=100

U.S. GOVERNMENT PRINTING OFFICE: 1920

TOTAL PAYROLL AND NUMBER EMPLOYED
IN PAPER MANUFACTURING

AS REPORTED TO NEW YORK STATE INDUSTRIAL COMMISSION
(INDEX NUMBERS BASED ON JAN. 1918 = 100)

TOTAL PAYROLL

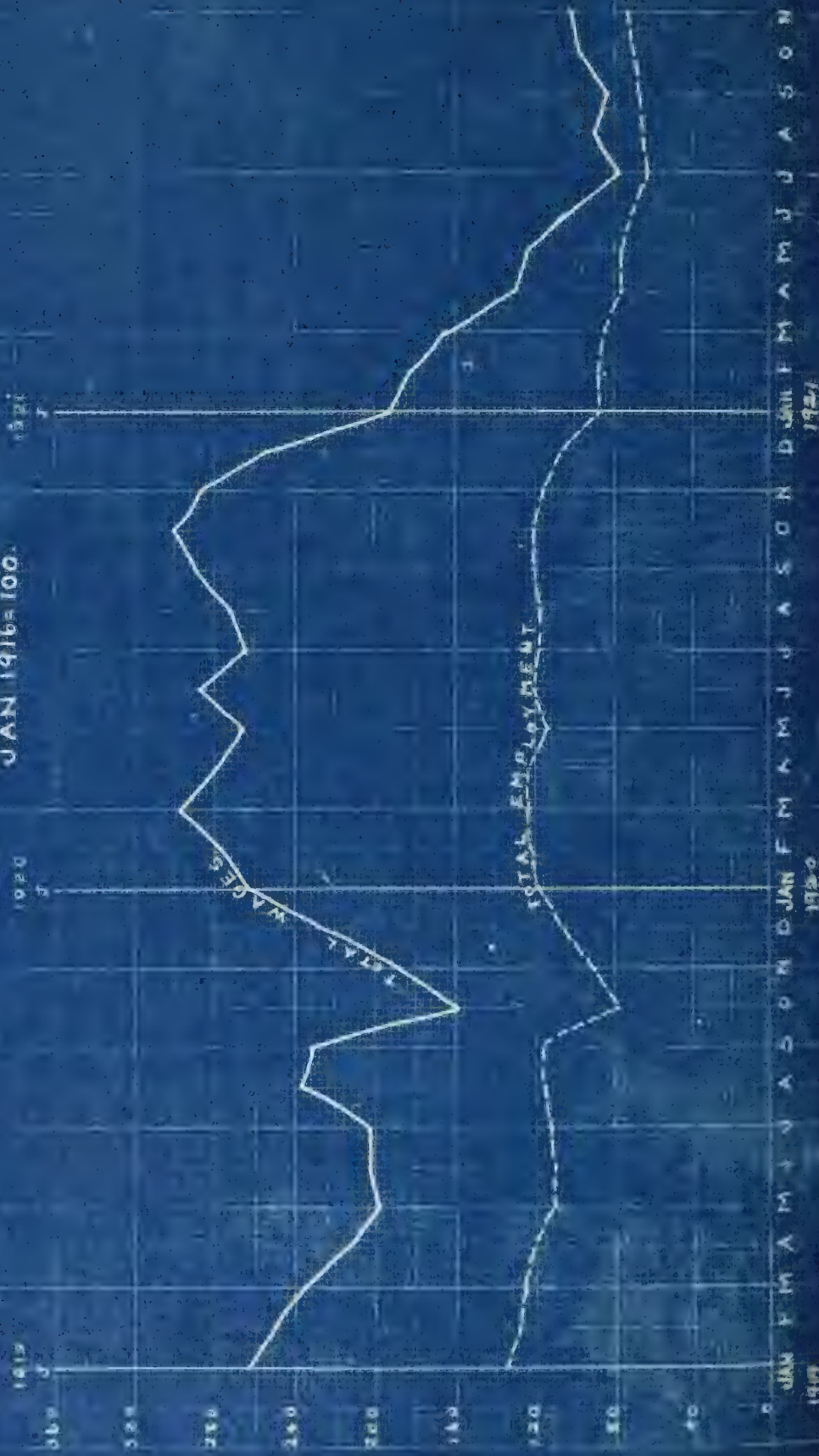
	1918	1919	1920	1921
Jan.	100	155	184	194
Feb.	106	145	177	190
Mar.	119	146	200	173
April	126	139	201	160
May	127	111	230	104
June	133	153	232	101
July	150	158	232	115
Aug.	152	160	238	128
Sept.	152	173	241	123
Oct.	135	176	232	128
Nov.	142	180	221	137
Dec.	163	187	210	139

NUMBER EMPLOYED

	1918	1919	1920	1921
Jan.	100	107	115	112
Feb.	99	104	110	111
Mar.	105	105	120	104
April	104	100	120	97
May	103	83	121	72
June	104	101	123	66
July	107	104	122	73
Aug.	105	104	124	81
Sept.	106	110	123	80
Oct.	93	111	123	82
Nov.	102	115	117	85
Dec.	108	116	116	88

U.S. DEPT OF LABOR: TOTAL WAGES & EMPLOYMENT. IRON & STEEL.

MONTHLY INDEX NUMBERS 1919-21.
JAN 1916=100.



TOTAL PAYROLL AND NUMBER EMPLOYED
IN IRON AND STEEL
AS REPORTED TO U. S. DEPT OF LABOR
(INDEX NUMBERS BASED ON JAN. 1916 $\frac{6}{100}$)

TOTAL PAYROLL

	1919	1920	1921
Jan.	265	262	193
Feb.	250	277	183
March	236	296	164
Apr.	217	279	131
May	199	267	124
June	202	286	102
July	203	264	77
Aug.	239	273	89
Sept.	234	290	84
Oct.	159	300	97
Nov.	187	286	103
Dec.	230	251	-

NUMBER EMPLOYED

	1919	1920	1921
Jan.	156	119	87
Feb.	128	121	88
Mar.	125	123	84
Apr.	120	122	76
May	110	114	75
June	110	120	71
July	112	118	62
Aug.	116	117	65
Sept.	116	120	67
Oct.	77	120	71
Nov.	90	116	74
Dec.	106	106	-

The Iron and Steel Industry shows a similar precipitous decline in the wages paid to employees of the industry. The index for the total payroll fell from 300 in October, 1920, to 131 in April, 1921, and to 84 in September 1921. This means that in six months the purchasing power of this group of workers fell 56%, and that in a year it had reached a level 72% below that of the preceding year. In July, 1921, only 51% of those on the payrolls in the preceding September were employed. The chart accompanying the table shows how hard hit were the wage earners in this industry. Wages determined on the basis of the law of supply and demand in a labor market such as that pictured in the chart under consideration can in no sense be considered as just and reasonable. The determination of just and reasonable wage rates implies equality between employer and employee. No such equality exists when employers are protected by huge surpluses and wage earners are faced with such unemployment and diminished purchasing power as appears in these tables.

In December 1920 the first decrease in wages and employment among workers in the Car and Locomotive Shops makes its appearance. This appears in the table and chart covering this industry. Approximately 60% of the wage earners covered and directly employed by railroads, the rest are employed by railroad equipment concerns. The chart shows the decrease in the purchasing power of railroad employees in N. Y. State to have been similar to that of employees in other industries. Between November, 1920 and June, 1921, the total payroll had fallen



NEW YORK STATE TOTAL WAGES, & EMPLOYMENT.
 CARS, LOCOMOTIVES, & RY. REPAIR SHOPS.
 MONTHLY INDEX NUMBERS 1918-21.

JAN 1918 = 100.

TOTAL PAYROLL AND NUMBER EMPLOYED
IN CARS, LOCOMOTIVES AND RAILWAY REPAIR SHOPS
AS REPORTED TO NEW YORK STATE INDUSTRIAL COMMISSION
(INDEX NUMBERS BASED ON JAN. 1918 = 100)

TOTAL PAYROLL

	1918	1919	1920	1921
Jan.	100	195	135	168
Feb.	107	142	137	142
Mar.	116	138	154	130
April	116	132	155	102
May	124	131	156	94
June	126	115	160	84
July	142	115	160	84
Aug.	162	126	181	97
Sept.	180	114	189	96
Oct.	174	117	190	101
Nov.	170	130	193	106
Dec.	180	139	188	118

NUMBER EMPLOYED

	1918	1919	1920	1921
Jan.	100	112	96	101
Feb.	104	107	95	86
Mar.	84	110	101	79
April	105	100	101	65
May	106	97	100	58
June	105	91	101	50
July	106	91	102	59
Aug.	108	95	102	66
Sept	112	89	107	66
Oct.	111	88	109	70
Nov.	109	91	113	73
Dec.	114	96	108	81

off 57%. This meant that the workers in these car and locomotive shops, taken as a group, had less than one-half as much to spend for the necessities of life in the middle of 1921 as they had in the last months of 1920. Throughout the years covered by the chart the irregularity of their purchasing power is apparent. During the same months more than one-half of these wage earners were laid off. They became potential bidders for the jobs of other men. This is what employers mean when they talk about the law of supply and demand reasserting itself. The surplus of workers becomes a strong influence in the determination of every wage rate established during the period.

Unemployment as a Means of Deflation.

In the discussion of these tables and charts I have tried to show just how the labor market looks during the period of deflation. And, I think, the first important conclusion must deal with the extent to which the wage earning class as a whole suffer from such a period. There is an enormous decrease in total wages paid, in other words, in the ability of wage earners to purchase the products of farms and factories. As already shown in connection with my discussion of wholesale prices, this appears in a reduced consumption of wheat and meat products. Obviously the employees of industry carry the burden of such periods of deflation in lowered living standards.

In the second place I think we should emphasize the other aspect of this reduced purchasing power. I refer to its tendency to intensify and prolong the depression. The farmer

needs this purchasing power if his crops are to be marketed advantageously. This purchasing power is the real dynamic force which creates industrial activity. If it could be wholly abolished, then industrial activity would immediately cease. In other words, the true way out of an industrial depression must lie in the direction of increasing and stabilizing the purchasing power of the great body of the people. Profits, interest payments, rents, every kind of return to property should be made subservient to this one end. Emphasis on speculative profits and increased interest payments brought on the depression. The way out is to change the emphasis to producing for human life, and to make it possible for the great mass of the people to purchase an increasing supply of the necessities and comforts of life. I shall refer to this aspect of the matter again.

At this point I wish to place particular emphasis on the effect of such a situation upon the possibility of just wage rates being established in industries where the individual worker bargains with the big corporation.

The development of a surplus in the labor market was well marked before the peak of prices had passed. Its significance was quite universally recognized in the business world. B.C. Forbes, writing in the Philadelphia Ledger of July 1st, 1920 remarks it as follows:

"The situation has changed. The adoption of three day or four day weeks in woolen mills has been followed by similar curtailment of activities by knitting mills, by shoe factories, by silk mills and by many concerns handling luxuries. Moreover, cancellations have been so heavy in industry after industry that working forces have been reduced, either moderately or drastically. Men are now seeking jobs instead of jobs seeking men."

Ten days previously the same paper had remarked:

"The break in labor's domination of the industrial system has come, according to reports which have reached officials of the United States Chamber of Commerce and the law of supply and demand which served so long to make any sort of worker a rare commodity is about to react."

To my mind, if the law of supply and demand really reacted to give labor domination or even equal bargaining power for a while, it is an extraordinary evidence of moderation that the workers did not secure more than a mere subsistence wage.

On July 17th the Wall Street Journal remarked:

"There are many indications that the peak of the labor market has been passed, at least for the present. Employers in different branches of industry report they have plenty of men and applicants for work are much more numerous than has been the case since the war boom started. The comment is heard in some quarters, however, that many of the men have not yet reached the stage of being willing to do much real work. Improvement in their attitude is expected with the advent of winter and exhaustion of the money they have accumulated."

I want here to make the point, which is the center of this part of my presentation. I shall repeat it again. It is our contention that just wages can only arise when there is absolute equality between the bargaining parties. Then the question will be settled in terms of what is for the best in-

terests of both because to attempt to settle it by force would result in a deadlock. Now in the so-called labor market of 1920-21, one party to the bargain was entrenched behind huge reserves and could sit steady until the advent of winter and the exhaustion of little savings out of wages had brought the other party to accept the terms offered. That is not even a bargain, according to my way of thinking, it is a conquest.

I wish that I could give the board a real understanding of this wage bargain where there are numbers of men waiting for each job, where some of the men have been out of work for many months, where the scant meals that I have described already have been reduced until the children go to bed with the very real pangs of hunger, where the rent has not been paid, and the limit of credit with the grocer and the landlord have just about run out. Words are cold to describe it. Have you ever known real hunger? And then if such a man gets the job because he is ready to take half a loaf rather than none at all, can you picture his life, trying to pay off the bills which have gathered out of a wage that is not enough to defray current expenses. It seems to me that there is something wrong somewhere when business seems to consider just wages to be those based upon insecurity of tenure and uncertainty as to the future as a chronic condition among the employes of industry. And yet that is exactly the reflection of the business world which we get from such quotations as I have been selecting from hundreds of a similar character.

The New York World of Sept. 6, 1920 carried a picture of the employer's idea of a favorable labor market. The setting is Indianapolis visited by Special Correspondent Leary. Introducing his article the World says in part:

"Labor day this year finds the market for labor materially changed from labor day, 1919. There was an actual shortage of "raw" or unskilled labor then. Today the surplus of this and semi-skilled labor is beginning to appear. In consequence, large employers of workers have begun to plan, and in many cases are putting their plans into execution, for getting labor at lower costs.

"To them it appears the law of supply and demand, operating since the summer of 1915 in favor of the man with only "back and biceps" to sell, is now beginning to operate against him and it is once more a buyer and not a seller's market.

"Because of this, employers in large numbers see the long awaited opportunity to "liquidate labor" by revising prices downward, etc.

"To help this process along, the "open shop" or anti-union movement is being fostered, particularly in the Middle West, where because of the slacking down of the Automobile business, the number of men is vastly greater than elsewhere."

Here, in a paragraph, is a picture of the wage system as it operates to determine the living conditions of hundreds of thousands of families today. The labor power of a human being, probably of a family builder, is divorced from his human needs and becomes just "back and biceps" for sale. When the demand for corporation products declines, the corporations close down their plants and continue to pay fat livings out of accumulated surpluses. When the demand for human labor declines and a buyer's market develops, families are asked to bid against each other to see which will accept the lowest standard of living. The policy of the National Metal Trades Association spoke to Mr. Leary through its representative, Mr. Allen, who said:

"probably there are 10,000 less men employed in the factories than there were earlier in the year. With those idle in other trades there may be 15,000 idle altogether. Things are being adjusted. Wages have come down somewhat. They are coming down more. Why shouldn't they? Sugar has come down; why not labor?

Mr. Leary asked whether it was true that employers were discharging men and then rehiring them at lower wages. The National Metal Trades answered through Mr. Allen:

"Yes, I believe it is. It is part of the necessary readjustment of wages. That, you will find, has been done by the National Motor Company."

Mr. Leary interviewed the management of one of the factories. The official said:

"Labor is tending to become cheaper and more efficient. We find it so."

When asked whether this meant cheaper cars he said:

"Not at all. You see with decreased production in most plants, the overhead automatically goes up, absorbing more than the saving in labor."

There is a snap shot of the labor market through the operation of which the wage rates shown by management have been largely determined. Perhaps the rates paid in the National Motors Company appear in the averages.

The working of the labor market in the rubber industry in Akron was interesting. The making of tires at full speed was continued after the tightening of credit had begun. According to Mr. Leary its answer to cancelled orders and actual restriction of credit was to hire more storage room and make yet more tires...It stopped only when the town may be said to have bulged tires...Then thousands of workers were laid off over night, the earnings of thousands of others were directly or indirectly reduced - in many cases the reduction was almost unbelievably large. Men who had been laid off were rehired in other parts of the plants at beginners rates. Many cases were reported where the men were buying houses on the installment plan.

They practically had the choice of losing what they had put in or of staying and accepting small wages. Fortunately the stockholders of the large rubber companies were protected with huge surpluses. Two such companies had, on Dec. 31, 1920, surpluses of \$56,000,000 and \$72,000,000 respectively.

Scores of instances could be cited of reductions made after considerable shut down, or with the presence of tens of thousands of idle workers as a spur. Here is one from the Iron Trade Review of January 13, 1921:

"The Camillus Cutlery Co., Syracuse, N. Y. has resumed operation on a full time basis of 50 hours a week but with a reduction of 20 per cent in wages. The plant had been shut down for two weeks."

and again:

"The Dominion Iron and Steel Co. Sydney, Nova Scotia, has announced a 20 per cent wage reduction, affecting about 5000 employees, effective January 17. Of these workers approximately 2100 have been laid off temporarily."

From the above brief statements I think that it is pretty clear that the operation of the law of supply and demand in a period of depression means that the individual worker is given the simple choice of accepting what the employer offers or joining the army of the unemployed. In a wage bargain with any possibility of justice, it is unbelievable that men would today consent to work for 25 cents, 30 cents and 40 cents per hour.

Manipulation of the Labor Market.

The price policy of the United States Steel Corporation seems to indicate that corporations with a monopoly of jobs and huge surpluses can manipulate the labor market to suit their purposes. To develop more fully the picture of the basic unfairness of the wage bargain in outside industry during the recent months I wish to call your attention to certain important comments on this policy.

In a special article by B. C. Forbes, published in the Philadelphia Ledger, February 28, 1921, Mr. Forbes said:

"The greatest stumbling block at this moment is the United States Steel Corporation's refusal to readjust its prices from wartime levels to figures which would stimulate a long line of important waiting consumers to enter the market. While some of the comptroller of the currency's statements may savor of exaggeration, the charge made in his letter to Judge Gary that 'your prices are excessive and unjustifiable' is exactly in line with the views of a constantly growing number of business men. The amount the corporation has added to its assets; solely from earnings during its twenty years' existence, is colossal; it represents a sum more than twice the entire fortune of John D. Rockefeller. Every dollar of this unparalleled sum has, of course, come from users of steel, which means every man, woman and child among us.

"Therefore, should profits suffer temporarily, this is no adequate reason why the biggest business enterprise in the country should insist upon charging the same prices as ruled two years ago. Not only are railroads, public bodies, builders and other large consumers of steel postponing operations until prices are lowered, but other industries are clinging to their high prices until the move is made by the king-pin of them all.

"Until the Steel Corporation reduces prices--and, later, wages--America can scarcely hope to experience sound, active, healthy business. Let the Steel Corporation act decisively, however, and the probabilities are that the effect would be instantaneous and substantial all along the line."

In the issue of February 8, 1921, the Wall Street Journal had remarked:

"Steel stocks were steady, with an extremely small turn-over, however. There is little change in the steel situation, and manufacturers do not look for a definite turn until Spring. As a matter of fact, a quick revival in business would be contrary to their wishes. Should the steel business suddenly become active, a readjustment downward in wages would be impossible. The Steel Corporation would be compelled to maintain the present scale, and independents which have already reduced wages would have to come to the big companies level."

The picture which I am trying to show is forcefully summed up in the following article by B. C. Forbes in his own magazine under date of March 19, 1921, which exhibits the law of supply and demand as a pretty willing slave of the corporation with half a billion dollars in surplus. Mr. Forbes said:

"The business decks have not yet been thoroughly cleared for action.

"In the highest financial and industrial circles, vigorous recovery is not desired until wages have been brought down in all industries, on the railroads and in other walks of life.

"The reasoning used is that conditions cannot return to normal until production costs have been substantially lowered, and since labor constitutes about 75 per cent of production costs, the rate paid for labor must be materially reduced.

"It is argued that if the deflating process were to be checked at this time and anything like a business boom should set in, the basic situation would be so unsound that there would have to come renewed house-cleaning later on. The desire is to do the job thoroughly now and have it over with once and for all. The ordeal is not pleasant, of course, and no one would favor undergoing it could permanently satisfactory results be effected any other way.

"This attitude is absolutely sound.

"Suppose business were to become so animated straight-away that all thoughts of reducing railway wages, steel wages, building wages, etc., were banished, the country's delicate, interdependent wage structure would be left lopsided. For example, textile workers whose wages have been cut 20% to 25%, would doubtless feel that their remuneration ought to be brought back more into line with the pay of railway workers; and our millions of agricultural workers would doubtless resent having to foot the bill for such wages as are now being paid by the United States Steel Corporation to produce materials entering into the manufacture of agricultural machinery and implements.

"Another consideration which tends to delay extensive buying of merchandise is this: the banks still have an unpleasantly large amount of credit outstanding in non-liquid form, and they are insisting upon the steady, continuous reduction of inventories in order to permit of the reduction of bank loans. Moreover, only in rare cases are bankers encouraging manufacturing or merchantile clients to go ahead and place heavy contracts for future requirements. This acts as a brake on revival of activity. Banks, as a rule, are entirely in sympathy with the movement to force 'liquidation of labor' as part and parcel of the whole readjustment process.

Some Sobering Developments.

"It may be, therefore, that early Spring will not bring any very pronounced improvement in business. The end of Spring or the beginning of Summer may, it is now felt, arrive before readjustment has been sufficiently thorough to convince the powers that be that the time has arrived to do everything possible to restart the wheels of industry at full speed."

In a market so dominated or controlled there is no guarantee, in fact, no probability, that just and reasonable wages will be established. It is a labor market dominated by interests seeking just one thing, the largest possible diversion of income to capital.

It would be interesting to figure

whether the whole course of the recovery of the country from depression might not have been different if the United States Steel Corporation had not had an enormous surplus.

In this part of my argument I have endeavored to give the Board a conception of the background in terms of which the justness and reasonableness of wage levels today prevailing in industry must be determined. The wage problem is a question of division of National Income. I have given considerable attention to the basic factors in the division of national income through the inflation and deflation periods. From this analysis it has developed that the great corporate interests have been exerting constant and successful pressure toward securing a right to larger and larger parts of the National Income. This pressure is, of course, a pressure to depress real wages, or the share in National production going to labor. This results in a very natural attempt to use the deflation period to consolidate gains and to maintain returns to capital at the expense of the large part of the population living a small income. Before business picks up, wages must be depressed to such an extent that profits can be realized on increased capitalization. In addition wage earners must bear the burden of the increased interest payments on the enormously increased debt of the country. The establishment of wages in such a situation can mean nothing more than the acceptance by the worker of the lowest sort of animal subsistence, with lack of opportunity to earn wages as the alternative.

Has Capital Borne its Share of the Deflation?

As I have shown, the wage earners in industry have suffered heavily during the deflation period. Lay-offs, part time work, reductions in rates of pay, have all operated to reduce their purchasing power drastically. A large surplus of labor has been created which enables employers to give men the choice of accepting the wage rates and conditions which they lay down or giving place to some workers whose family has suffered to such an extent as to render him docile.

Has Capital borne an equal share of the deflation? Unemployment among industrial workers means that industrial plants are only operating a percentage of capacity. In other words capital has also been unemployed. Has this idleness of capital resulted in an equal amount of hardship?

Probably the first evidences of hardship which the corporations would bring forward would be depreciation of inventories. Such depreciation of inventories will frequently bring out a very considerable elimination of earnings on the balance sheets or even an apparent loss. But this is merely a writing off into paper losses of gains which were fictitious in the first place. Such losses are often very properly charged to corporate surplus.

As a matter of fact, many corporations have charged to earnings during the inflation period amounts designed to cover these losses. In other words these inventory depreciation charges have developed what are termed concealed assets. These amounts were withdrawn from earnings before the net income

was reported. In other words they do not figure in the large net earnings of the inflation period, but were stowed away to obliterate the losses of the deflation period.

The Wall Street Journal of October 27, 1920, brings to light some of these hidden assets of the United States Steel Corporation. At that time this corporation had deducted from annual earnings sums totaling \$90,000,000 as a reserve to cover depreciation of inventories. It remarks:

"The reserve is already nearly one-third of the inventory's cost, a figure that is shown conservative by its being only about one-fourth ~~the~~ gross sales per annum. The reserve cannot continue to grow and avoid the absurdity of absorbing the inventory from the balance sheet. It, therefore, seems likely that this fund will be either restored to surplus or that there will be no further deductions from earnings to increase its growth."

During the inflation period this corporation also charged off for amortization of plant installed for war purposes and for depreciation of plant a sum totaling about \$306,000,000. After remarking that during this period the great corporation earned \$127.43 per common share available for common and added \$80.36 per common share to its value, the Wall Street Journal continues:

"If the heavy charges above mentioned had not been deducted from earnings U. S. Steel would have reported earnings available for common that would make those actually reported, big as they are, seem small by comparison.

"The inventory reserve, amortization and depreciation charges here considered, together \$396,701,825, amount to \$78.00 a common share and were all deducted from income during the five years."

These facts show how a great corporation can anticipate and provide against adverse conditions. Similar large depreciation charges were made from earnings in the case of other steel companies. Similar reserves appear in the statements of numerous other corporations including metal companies, automobile companies and food products companies.

Complete figures in regard to net income of all corporations for the year 1921 are not yet available. However, Professor David Friday of the University of Michigan has published an estimate based on such returns as are available. He estimates the net income of corporations for the year at \$3,500,000,000. If you will compare this with the figures which I have already given for corporate profits during the inflation period you will find that this net income of a year of depression is only 25% less than the net corporate incomes of the years 1920, and 1918 and that it amounted to more than 87% of the net incomes for the years 1913 and 1919. It is 25% higher than the net corporate incomes for the year 1914.

The astonishing course of dividend and interest payments in 1921 shows how well the corporations were prepared by the accumulation of surplus and reserves, to compensate for any losses sustained during deflation

The New York Journal of Commerce, in its published summary of dividend and interest payments for the year, places the monthly average payments during the first 11 months of 1921 as \$290,000,000. This is the highest level yet attained by these payments to capital. It is at the rate of approximately \$3,500,000,000 for the year. Recalling the figures which I have already placed before the board we get the following record of increasing returns to holders of corporate securities:

Dividend and Interest Payments
(N.Y. Journal of Commerce)

		<u>Amount</u>	<u>Index</u> <u>1913 - 100</u>
Monthly Average	1913	\$148,000,000	100
"	1914	149,000,000	101
"	1915	155,000,000	105
"	1916	178,000,000	120
"	1917	199,000,000	134
"	1918	252,000,000	170
"	1919	266,000,000	179
"	1920	285,000,000	192
	(11 Mos.		
"	(1921	290,000,000	197

Thus in a year when physical production fell off tremendously, when wholesale prices were only 50 per cent above 1913 and cost of living 75 per cent above 1913, the incomes of capital owners were 97 per cent above 1913, and were at the highest point reached during the period.

Comparison of Profits With National Income

For purposes of comparison we can estimate the index number of National income for 1921 as follows. Physical production decreased about 20 per cent from 1920 to 1921 (See Exhibit 2). Wholesale prices decreased 35 per cent and cost of living 20 per cent. If we first reduce the 1920 figure of National income by the loss in physical production, and then by a weighted percentage of prices, we should have a rough approximation of the 1921 income. The prices are weighted by reckoning that 70 per cent of the income went to wage and salary earners, and should be deflated by the cost of living, and 30 per cent went to capital, and should be deflated by wholesale prices. This rough, but conservative estimate gives us about 44 billion as the 1921 National income.

Comparison of Profits with National Income

	Nat'l. Income	Est. Net Incomes All Corp.	Est. Dividends All Corp.	Est. Additions to Surplus All Corp.	Dividends & Interest Payments
1913	100	100	100	100	100
1914	97	70	79	50	101
1915	105	106	85	152	105
1916	132	198	122	373	120
1917	157	199	144	332	134
1918	177	113	92	159	170
1919	198	100	91	121	179
1920	209	112	105	129	192
1921	128	88	108	41	197

It will be noted that while the National income fell about 40 per cent from 1920 to 1921, the estimated net income of all corporations fell only about 22 per cent and dividend payments actually increased. Dividend and interest payments combined not only increased, but consumed a much larger proportion of the National income than in any previous year. Capital thus easily bore its entire loss by a reduction in the additions to corporate surplus, while the income actually received by capital owners was larger than ever before.

Capitalization and Fixed Charges.

We have seen the immense increase in capital issues, new incorporations and bonds in 1919 and 1920.

Although the rate of new capital issues slackened in 1921, it was still far above any of the years since 1913, with exception of 1919 and 1920. The N. Y. Journal of Commerce places the monthly average at \$210,000,000, giving a total for the year of \$2,520,000,000. Similarly new incorporations in 1921 were far above pre-war level, amounting to an average of \$667,000,000 per month, according to the estimate of the N. Y. Journal of Commerce. These again were larger than any year since 1913 except 1919 and 1920.

Private bond issues, which more than doubled in 1920 as compared with 1919, increased again in this year of deflation, rising to the enormous total of \$1,384,000,000. The issue of permanent municipal bonds during the year amounted to \$1,204,000,000, in contrast with issues of \$683,000,000 in 1920 and \$691,000,000 in 1919, the highest years of the period.

Business failures involving a total of only \$52,000,000 are insignificant when compared with the increases in capitalization which I have just cited. In fact, Professor Friday, whom I have already referred to, writes in the New Republic of December 14, 1921, as follows:

"The concern of bankers and bond houses is no longer to find a market, but to get a sufficient supply of reasonably stable issues. As far as such securities appear they are absorbed with avidity. High surtaxes, excess profits taxes, the disheveled state of European industry and politics, seem powerless to check the flow of funds to the investment market."

Professor Friday estimates the capital accumulation for the year 1921 at over 8 billion dollars, as follows:

PROFESSOR FRIDAY'S ESTIMATE OF 1921 SAVINGS.

Domestic Securities purchased (exclusive of refunding):

Corporate Securities	3,200,000,000
State, Municipal & U. S. Govt.	1,300,000,000

Capital exported, as measured by:

Gold, Silver & U. S. Currency imported	800,000,000
Foreign Govt. and other securities purchased	500,000,000
Am. Securities repurchased	100,000,000
Immigrant remittances & Foreign relief	400,000,000

Corporate Surplus Re-Invested	500,000,000
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Income saved by agriculture & business not corporate	1,000,000,000
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Building operations other than public and corporate	<u>1,000,000,000</u>
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Total Savings	8,800,000,000
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If the National Income did not drop more than from 72 billion in 1920 to 44 billion in 1921, as roughly estimated, this would mean that in 1921 between 18 and 20 per cent of the income was saved and re-invested by capital owners in this year of severe depression.

Rents and Royalties in 1921.

Rents rise more slowly than profits and prices, but they hold their gains more tenaciously. Land and national resources having been **revalued** at the higher price level, they still continue for the most part to demand the higher rate of return. The only exact figures for 1921 available on this point are those on urban dwelling rent of the Bureau of Labor Statistics. These are shown in the following table

Housing (Bureau of Labor Statistics) 1913 - 100	
Dec. 1914	100
Dec. 1915	101.5
Dec. 1916	102.3
Dec. 1917	100.1
Dec. 1918	109.2
Dec. 1919	125.1
Dec. 1920	151.1
Dec. 1921	161.0

Concentration of Capital Holdings

There is no doubt that the concentration of ownership in stocks and bonds which we noted even in 1920 continued at a highly accelerated pace in 1921. In a period of depression the smaller and weaker owners of capital are forced to dispose of their securities for current expenses.

Conclusion

It is plain that deflation did not seriously **affect** the income or the strong position of the owners of capital.

Prices of mineral and manufactured commodities fell, but not so soon or so far as agricultural prices.

Inflated inventory values were reduced, and production was curtailed, thus reducing total net profits; but deficits were charged up to reserves accumulated in the boom period, and merely had the effect of reducing the total addition to corporate surplus for the year.

Dividend payments were larger in 1921 than in 1920, 1919, or 1918, and were only 25 per cent less than 1917, the largest year on record. Dividend and interest payments combined, due to the enormous issues of bonds at high rates in recent years, were actually larger than in any previous year.

At the same time, due to the large payments to capital owners, the rate of new investment hardly slackened. New incorporations were less than in the extraordinary years of 1918 and 1919, but were still nearly four times as large as in 1913. Bond issues, both for private corporations and for Municipal Governments, were larger than in any previous year. The higher rate of failures hardly affected the growth of invested capital.

Rents and Royalties Remained Up.

The concentration of capital holdings in fewer hands continued at an accelerated pace.

The conclusion must be, therefore, that in so far as capital was forced to deflate, it absorbed its losses out of past earnings, and so was able to expand both its current payments to owners and its new investment.

Meanwhile it consolidated its position and strengthened its hold on the National income at the expense of agriculture and industrial labor.

PART VI

D I V I S I O N

O F T H E

N A T I O N A L I N C O M E

THE DIVISION OF NATIONAL INCOME

THE PROBLEM

In the following tables the division of national income between various producing groups is traced from year to year for the period 1913 to 1921 inclusive. Such a study makes possible some factual determination of the question - who profited most by the disturbed period defined by the war.

It would have been interesting to extend this study to include all occupational groups - not only wage earners, industrial capitalists and agriculturists, but also small shopkeepers, bankers, teachers, etc. But such a study with data available would be impossible.

Here consideration is limited to the division between Agriculture, Mineral Production, Manufacturing and Land Transportation, followed by a further division of the income from mining, manufacture and transportation between wage earners, salaried employees and owners.

The large increases in profits, interest charges and other returns to property since 1915 have been treated from a number of angles. But, on the other hand no one denies the large increases in money wages characteristic of the same period. Both increased profits and increased wages are unescapable accompaniments to periods of inflation.

The vital question is - which came out the net

gainer? Did one group increase its income strength at the expense of the other?

Unfortunately the division of National Income is not a matter of public record. But of recent years important sources for the accurate estimating of the size and distribution of national income have become available. The first and oldest of these sources is the Census Bureau of the Department of Commerce. At five year intervals the census publishes very full data concerning manufacture, mining and agriculture. Interstate Commerce Commission Reports furnish full information concerning the railroads. And such information as the foregoing is supplemented by the annual publication of the Internal Revenue Commissioner "Statistics of Income". These few publications do not exhaust the sources. Financial returns of corporations are an additional source. But they indicate the nature of the material available.

During the past year all this authoritative material has been brought together by the National Bureau of Economic Research under the direction of four statisticians of national reputation - Wesley C. Mitchell, formerly Chief Economist for the War Industries Board, Wilford I. King, well known as the author of one of the first comprehensive attacks on the problem, Frederick B. Macaulay and Oswald W. Knauth.

As the figures through 1918 are based entirely

In considering the strengthening of the position of capital through the inflation period, we must also take account of municipal and government bonds. For while it is true that the money loaned on them was used for public purposes, and while it is also true that the money to pay the interest is raised largely from taxes, levied on corporate and other business, it is also true that the interest payments go to owners of capital, and constitute a lien on the future national income, which in its final aspect is a payment by those who do not own capital to those who do. Public bond issues, of course, increased on account of the war expenses, and the inflation of the currency.

State and Municipal Bond issues during the years 1914 to 1921 inclusive are tabulated in the Harvard Economic Service Weekly Letter of February 11, 1922, as follows:

NEW PERMANENT MUNICIPAL BOND ISSUES.

1914	\$ 474,000,000
1915	499,000,000
1916	457,000,000
1917	451,000,000
1918	297,000,000
1919	692,000,000
1920	682,000,000
1921	1,203,000,000
TOTAL	<hr/> \$4,756,000,000

GROWTH OF PUBLIC BONDED DEBT, 1914-1921

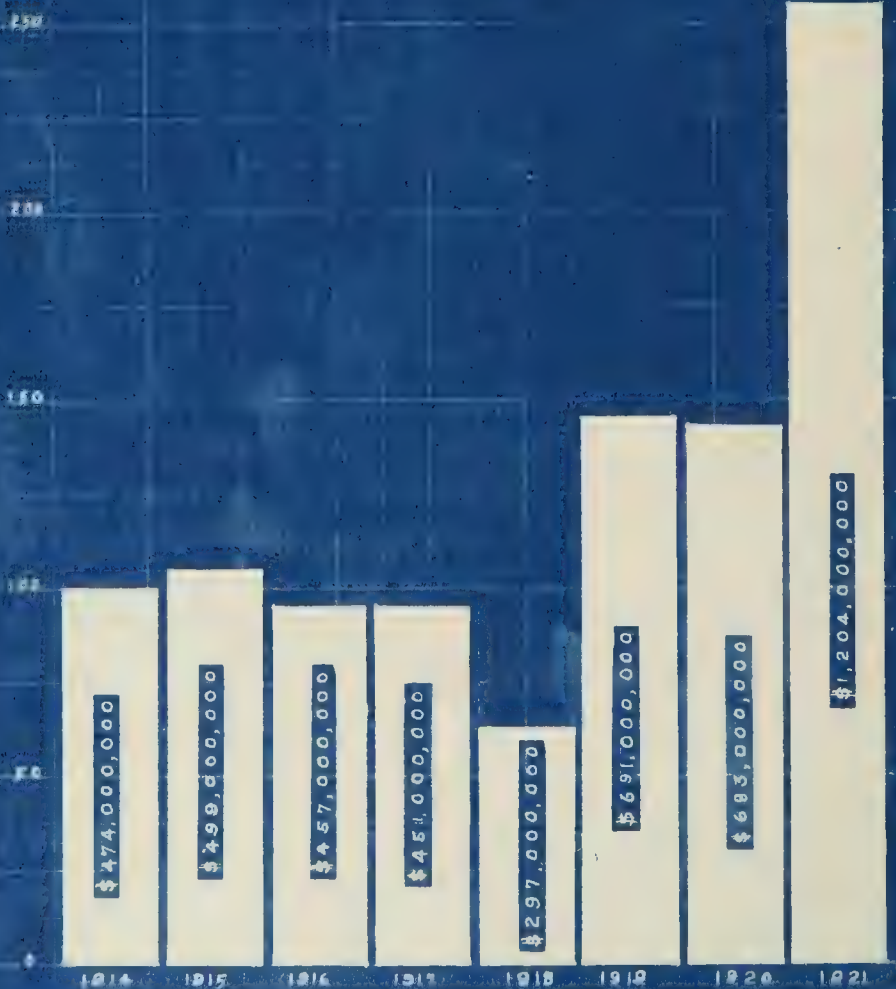
\$1,190
MILLIONS

1914

\$23,977 MILLIONS

1921

U. S. GOVERNMENT DEBT (IN MILLIONS)



NEW MUNICIPAL BOND ISSUES

Each bond issue has a direct effect upon the real wages of wage earners, and the problem of wage adjustment cannot be understood without ascertaining the extent to which fixed charges have acquired a lien on national income. In addition to the increase in public debt which I have just called to your attention, there is the U. S. Government debt, which has increased as follows:

U. S. GOVERNMENT DEBT.

Pre War	1914	\$ 1,190,000,000
Post War	1921	22,977,000,000

In any attempt to study the effects of inflation upon the division of national income this enormous increase in Government debt is very interesting. I will show that the method of financing the war by loans was in part responsible for inflation and therefore a partial explanation of high costs and high profits. Here, however, I am merely showing the great increase in guaranteed return to those who own capital which is the outstanding result of the inflation period. The increase in bonded debt may be summarized as follows:

Corporation	\$ 6,981,000,000
State and Municipal	4,756,000,000
U. S. Government	22,000,000,000
<hr/>	
TOTAL	\$24,737,000,000

From this total approximately \$6,105,000,000 should be deducted for refunding operations, leaving a total increase in the country's fixed charges amounting

to \$28,642,000,000, an enormous sum. To this may be added the ~~corporation~~ notes which have been issued to the extent of \$4,042,000,000, bringing the total increase in the basis of fixed charges since 1914 to \$32,674,000,000.

This huge increase in the right to first share in national income contrasts with the petty \$5,045,000,000 of stock issued during the period. Capital is not taking its chance with the rest of us. It is guaranteeing its income by granting itself a mortgage on the production of the people. It has apparently established a property claim not simply to physical goods, plants and natural resources, but to the income which the future labor of the workers will produce. The whole country is to be perpetually struggling to pay interest on the enormous mortgage, Without considering the billions of dollars in funded debt existing before 1914, the new issues will require payment of at least \$1,500,000,000 annually as a fixed charge, whether national income amounts to 40 billion, 50 billion or 60 billion.

This is a tax of \$15.00 per capita, or something between \$60.00 and \$75.00 per family per year.

Surplus as a Guarantee to Dividends

I want to bring out very clearly the extent to which capital has used the inflation period to render secure a steady return to property owners in strong contrast to the increasing insecurity of labor. One of the most notable achievements of the inflation period, in so far as capital is concerned, was the accumulation of enormous surpluses and reserves.

I have here a list of 175 corporations ^{SUBSTANTIALLY} - ^{the} same group to which I referred when discussing corporate profits. You will remember my reference to the division of these profits between dividends and surplus. On December 31, 1920 these corporations had a total surplus of \$4,501,240.925, an amount very nearly equal to their entire capital stock in 1914. These accumulations of surplus were divided among the industries as follows:

Accumulated Corporate Surpluses

By Industries

(December 31, 1920)

<u>INDUSTRY</u>	<u>SURPLUS</u>
Iron & Steel	\$825,958,160
Coal & Coke	139,075,444
R.R. Equipment	139,791,071
Metal Products	415,385,799
Copper Mining	189,889,720
Miscellaneous Mining	66,907,790
Petroleum Products	906,445,900
Building Material Mfg.	148,444,362
Agricultural Supplies	144,142,191
Packing Houses	211,413,840
Food Products	207,013,868
Sugar Producing & Refining	111,717,780
Textile Mfg.	83,085,551
Clothing & Dry Goods	128,417,306
Miscellaneous	524,801,773
Mercantile & Mail Order	<u>258,750,570</u>
	\$4,501,240,925

United States Steel Corporation showed a surplus of \$527,107,628, Crucible Steel one of \$60,430,698, Midvale Steel and Ordinance, a surplus of \$55,733,623. Pittsburg Coal Company had accumulated \$31,808,164. Lehigh & Wilkes Barre Coal Company, an anthracite producer had a surplus of \$26,018,282. American Car and Foundry reported a surplus accumulation of \$48,697,526, American Locomotive one of \$27,026,639.

For the Copper interests Phelps-Dodge Corporation showed a surplus of \$118,741,517, Miami Copper a surplus of \$43,188,113, and Calumet one of \$31,745,991.

United Shoe Machinery Company had accumulated over \$29,000,000. American Woollen Company showed a total surplus of \$31,127,753.

The surplus of Armour & Company amounted to \$92,239,878, while Swift came a close second with \$85,359,004. American Sugar Refining Company showed a surplus of \$29,677,179 and Cuban-American Sugar one of \$40,087,439. In the grain products industry similar surpluses are shown, \$54,404,540 for Corn Products Refining Company and \$22,656,125 for National Biscuit. United Fruit Company shows a surplus of \$84,387,104.

We have reports from four oil companies with surpluses over \$100,000,000, Standard Oil of N. Y. with \$201,154,613, Standard Oil of Indiana with \$133,438,603, Gulf Oil Company with \$102,829,011, and the Texas Company with \$106,712,529.

International Harvester Company had a surplus of \$81,959,468 and Deere & Company one of \$20,044,665. United States Rubber Company reported \$72,511,553, and Goodrich \$56,853,860.

Six Corporations out of the 175 together show a total surplus in December 31, 1920, amounting to \$1,189,983,889. The stock holders of those corporations are surely well bulwarked against any period of depression which may develop. Their dividends are, to all intent and purposes, guaranteed. The following quotation from the Wall Street Journal of November 22, 1920 states this clearly, as follows:-

"The most satisfactory factor in the situation is the strong position of the Steel Companies. None of the larger ones, and, for that matter, few of the smaller, have dissipated the large profits they made in recent years. They have large deposits in the banks and are able to take care of their customers' needs by credit whenever necessary and prudent.

"In fact, so well entrenched are the big steel companies financially, that they could go through a period of depression without omitting dividends."

This situation is true not only of the Steel Industry, but also of the Food Products Industry, of the Rubber and Tire Industry, of the Farm Machinery Industry, of the Petroleum Industry, of the Railroad Equipment Industry, in fact almost without exception of all industries.

The following advertisement published by Koontz & Co., members of the New York Stock Exchange, on March 31, 1921, is very much to the point. It reads:

"U. S. STEEL"

"Actual cash on hand of \$167,596,613,
sufficient to pay dividends on common stock
for over six years."

Stockholders in such a corporation had nothing to fear from a very considerable period of depression. The financial statement for 1921, published early in 1922, shows approximately \$14,000,000 deducted from surplus to pay full dividends on the stock.

So far as large corporations are concerned it is apparent that the inflation period enabled capital to guarantee its position. It came out of the period with billions of dollars worth of new bonds, fixed charges upon national income. Its surplus accumulations placed it in a position to continue dividend payments during a period when capital was actually unemployed.

The reservation of a large part of the profits of inflation for distribution during the period of deflation had another advantage from the point of view of the owner of corporate capital. Personal income taxes were deferred to a period of lower surtaxes, and, a fact which is of very great importance, dollars were distributed when their purchasing power was very much higher.

By way of final comment on the way in which industry was prepared to enter a period of shutdown without feeling the loss I wish to point out that 25 of the corporations considered have together more than half the surplus shown, or a total of over

\$2,350,000,000. The significance of this lies in the fact that these 25 corporations practically dominate the important industries of the country. They are the largest corporations in the Steel, Coal, Copper, Oil, Rubber, Electric, Textile, Meat, Grain Products, Sugar, Fruit, Agricultural Supply, Railway Equipment, Building Material and Household Supply Industries. Their surpluses were so enormous that the law of supply and demand, insofar as it affected their product, might be laughed at for a very considerable period. Not even an extreme drop in demand need force them to lower prices until they were satisfied that it was to their interest to have business pick up.

Corporations with Large Surpluses dominate Labor Market.

The contrast between the secure position of capital which I have just pictured and the insecure position of the worker is striking. These corporations, which were prepared to go through a long period of unemployment without omitting the returns to security holders, had also a very complete monopoly of jobs. In other words, they were in full control of the market in which the worker is supposed to sell his labor. The completeness of this domination of the labor market by the large corporations appears in the following tables which should be considered with great care.

Percentage of Wage Earners and Product Controlled by
Corporations.

Percentages indicate proportion of total manufacturing industry.
(U.S. Census figures)

Factors in industry	Percent to total		
	1904	1909	1914
Number of establishments	23.6%	25.9%	28.3%
Proportion Wage Earners	70.6	75.6	80.3
Proportion of Value Produced	73.7	79.0	83.2
Proportion of Value added	71.9	77.2	81.9

From this table it appears that an increasing proportion

of the employees of industry are coming under the control of corporations. By 1914, the last year for which full figures are available, 80 per cent of the industrial jobs were controlled by them, although they constituted less than 3/10 of the total number of industrial establishments in the country.

Of even greater interest is the next table to which I wish to call attention. This table shows the percentage of wage earners controlled by concerns with product valued at over \$100,000 per year.

Percentage of Wage Earners and Product Controlled by Concerns
with Product of over \$100,000.

(U.S. Census Figures)

Factors in Industry	Proportion of total Manufacture		
	1904	1909	1914
Number of establishments	11.2%	11.5%	12.3%
Proportion of Wage Earners	71.6	74.3	77.9
Proportion of Value produced	79.3	82.2	84.7
Proportion of Value added	74.1	77.6	80.8

From this it appears that during the 10 year period shown an increasing number of the employees of industry were coming under the control of the larger concerns. Less than 1/8 of the total number of establishments in 1914 controlled over 3/4 of the industrial jobs.

A further table, which considers only those very large corporations whose output exceeds \$1,000,000 annually, completes the picture of the concentration of control of jobs in the hands of these corporations which amassed great surpluses through the inflation period.

Percentage of Wage Earners and Product Controlled by Concerns
with product of over \$1,000,000.

(U.S. Census Figures)

Factors in Industry	Proportion of total Manufacture		
	1904	1909	1914
Number of establishments	0.9%	1.1%	1.4%
Proportion of wage earners	25.6	30.5	35.2
Proportion of value produced	38.0	43.8	48.6
Proportion of value added	29.9	35.7	41.4

This is an extremely significant set of figures for any one attempting to understand the working of the law of supply and demand as it affects the wages of labor. And our problem is to find how wages are fixed in the open market in order to get some basis for estimating the extent to which justice enters in as a determining factor.

This last table shows that in 1914 approximately 1/70 of the total number of industrial establishments in the country controlled over 35% of all the industrial jobs. Their control of the product of industry was enormous, the value of their product being nearly 1/2 of the total value produced by all the manufacturing plants of the country.

The full census figures on which these small tables are based will be found in the appendix to this statement.

This is corroborated by the following table in which the establishments are classified according to the average number of wage earners.

Manufactures' classified according to Average
Number of Wage Earners -1914 Census of Manufactures.

Establishment Employ- ing:	Percent of Total:			
	Number of Establish- ments	Average number wage earners.	Estab- lish- ments	Wage Earners
No Wage Earners	32,856		11.9	
1 to 5 Wage Earners	140,971	317,216	51.1	4.5
6 to 20 "	54,379	606,594	19.7	8.6
21 to 50 "	22,932	742,529	8.3	10.6
51 to 100 "	11,079	791,726	4.0	11.3
101 to 250 "	8,470	1,321,077	3.1	18.8
251 to 500 "	3,108	1,075,108	1.1	15.3
501 to 1 000 "	1,348	926,828	.5	13.2
over 1,000 "	648	1,255,259	.2	17.8

Note that there are 63% of the establishments employing only 4.5% of the wage earners while at the other end of the list there are 7/1,000th of the establishments with 31% of the wage earners. This concentration of control renders interlocking directorships and manufacturers' associations a simple matter. It places these larger concerns in a key position from which to dictate the general employment policy of the country. Even closer association with credit agencies, mines and railroads renders the unit a practical dictatorship of the commercial group.

Contrast the concentration above shown with the size of the smaller establishments. Two thirds of all the industrial establishments in the country, 184,992 in number, averaged only three employees each. They employed altogether only 558,660 employees, approximately 8% of the total industrial employees of the country. As a matter of fact 241,806 establishments, 87.7% of the total number employed an average of less than $6\frac{1}{2}$ workers a piece, the total number employed by them being only 1,558,260 or approximately 22% of the total industrial workers.

It is a well known fact that control of a market can be maintained without either complete ownership or even the ownership of over 1/2. In terms of the labor market this fact is well expressed by the New York World in its issue of September 4th, 1920, as follows:

"It does not take a very large floating supply of labor to break the whole labor market.W

Now in our study of the labor market we are faced with the undeniable fact that there is a small group of interests which controls the prices of basic materials to such an extent that it can lock out consumers and which also controls the jobs to such an extent that it can virtually make labor a drug on the market. In going over the next set of tables to which I will call your attention I want you to see that control of payrolls and control of consumers is virtually the same thing. In other words industry can be strangled either by maintaining prices which are entirely out of proportion to the level of wages, or it can be strangled by cutting the spending power of labor as a consumer through big reductions in total payrolls.

In turning from the inflation period to a study of deflation as it affected wages I want to call attention first to the fact that the first drop in prices was a drop in the price of farm products which operated immediately to cut the purchasing power of the agricultural part of the population. The Joint Commission of Agricultural Inquiry has estimated that 40 percent of the country's consuming power is connected with the farms.

PART V

DEFINITION PERIOD AND ITS EFFECT

ON

CAPITAL AND LABOR.

DEFLATION PERIOD AND ITS AFFECT ON CAPITAL AND LABOR
Concentration of Advantages of Inflation Period in Few
Hands.

Consideration of the facts which I have so far presented will lead to the conclusion stated in a single sentence in the report of the recent Congressional Joint Commission of Agricultural Inquiry as follows: "Inflation has the effect of taking money from some groups and giving it to others." Analysis of Statistics of Income published by the Bureau of Internal Revenue of the Treasury Department shows that the benefits accrued to considerably less than one per cent of the population.

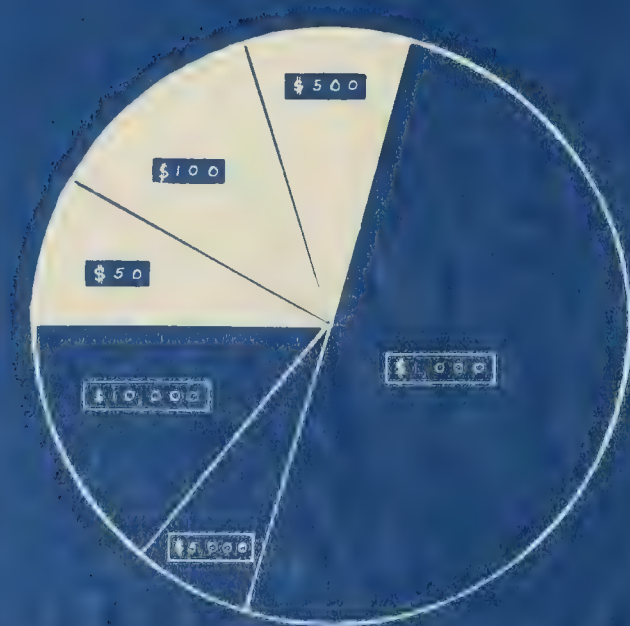
From the report it appears that over fifty per cent of the dividends paid during 1918 went to persons with incomes in excess of \$25,000, or to less than 1% of those reporting incomes. As a matter of fact this group amounts to about 1/10 of 1% of the persons reported by the census as gainfully employed. According to this same report 81% of all the dividends reported in 1918 went to slightly over 8% of those reporting incomes or to about 9/10 of 1% of those reported as gainfully employed. This same approximately 1% of the total income receivers of the country received 70% of the combined interest and dividend payments.

We get a similar picture if we analyze the distribution of government bonds. As they were originally issued, over two-thirds of the total interest went to those who could afford bonds in denominations of \$1,000 or over. Needless to remark, these were not wage earners. Since that time there has been a steady tendency toward

PROPORTION OF LIBERTY BONDS AND VICTORY NOTES HELD IN VARIOUS DENOMINATIONS.



ORIGINAL STATUS



JUNE 30, 1920

concentration of these bonds in fewer hands. Already by the middle of 1920 this concentration was well under way, as appears in the Report of the Secretary of Treasury for the year ending June 30, 1920. This shows the surrender of bonds of small denominations for reissue in the larger denominations as follows:

SHIFT IN DENOMINATIONS OF LIBERTY BONDS AND VICTORY NOTES.

Original Deliveries.

<u>Denominations</u>	<u>Amount issued of each denomination</u>	<u>Amount issued in two large groups.</u>
\$ 50.00	\$2,815,000,000	
100.00	3,390,000,000	
500.00	2,096,000,000	\$8,301,000,000
\$1,000.00	\$9,767,000,000	
5,000.00	1,493,000,000	
10,000.00	3,210,000,000	\$14,470,000,000

Surrendered for Exchange

\$ 50.00	\$1,114,000,000	
100.00	909,000,000	
500.00	209,000,000	\$ 2,232,000,000
\$1,000.00	\$ 862,000,000	
5,000.00	340,000,000	
10,000.00	758,000,000	\$ 1,960,000,000

Reissued in place of Surrendered.

\$ 50.00	\$ 243,000,000	
100.00	179,000,000	
500.00	182,000,000	\$ 604,000,000
\$1,000.00	\$2,543,000,000	
5,000.00	282,000,000	
10,000.00	763,000,000	\$ 3,588,000,000

The steady concentration of holdings is seen in the following recapitulation:

<u>Denominations</u>	<u>Original Deliveries</u>	<u>Status June 30, 1920</u>
\$50 to \$500	\$8,301,000,000	\$6,673,000,000
\$1,000 to \$10,000	14,470,000,000	16,098,000,000

In other words more than 70% of the interest on government indebtedness was due to those who could accumulate bonds of denominations of \$1,000 or over.

Effect of this Concentration of Increased Purchasing Power

The fact that the extraordinary heights reached by wholesale prices had the effect of taking money from the part of the population living on small incomes and giving it to the very small part of the population living on large incomes led to very important consequences as an influence on the course of the deflation period.

The buying of the commodities essential to life is very largely distributed according to population or better, according to the number of consumers. For this reason the large incomes enjoyed by a very small per cent of the population do not create an effective demand for the essentials of life in keeping with the total income received.

In other words, any tendency which gives the large income receivers a title to an increased share of national income tends to reduce the proportion of the national income which is spent for food, manufactured clothing, household furnishings, etc. As a result the demand for these articles falls. Without analysis of the relative proportion of income going to one class as contrasted with another the situation would be plain as the result of a glance at the gap between wholesale prices and wages which was described for each major industry earlier in my presentation.

How Deflation Comes About and What It Shows:

These serious ups and downs in industry which cause so much suffering among the wage earners seem to be due to the fact that business is not run for the purpose of serving the human life of the community, but is run by men whose dominant interest is profits. Service to the community, that is, providing a regular amount of the necessities of life for each family is treated as a by-product of profits. The whole business exists first and foremost to produce profits. If it happens to produce a living for the population, that is well and good. But if more profits could be produced by neglecting the production of food and concentrating upon producing and selling to the people tens of millions of mechanical dancing monkeys, why then the welfare of the community would require that capital and labor be diverted from agriculture and concentrated upon factories and sales and advertising forces to the end of putting ten mechanical dancing monkeys in every home.

Now business dominated by the profit motive is highly speculative. That is because men are more dominated by fits of excitement and depression than they are by foresight. As a result, when business starts up toward prosperity increasing profits are immediately capitalized and prospective profits are over-capitalized. Wholesale prices are forced ahead to create the returns which profit seeking capital demands. As prices increase, every transaction requires a larger amount of interest-paying short term loans. This goes on until it reaches a point where the demands of return to vastly increased capital cannot be met without raising wholesale prices.

which have outstripped both wages and retail prices to the point where the reduction in the amounts which the consumers can buy will cancel the gains from the increased prices. In other words it is discovered that the real demand of the community has not increased by more than a very small percentage, that the increase in income has been largely a paper increase, and that the high prices are going to break the purchasing power of the retailer or the consumer on whom he is dependent. Then is the time when the strong break the weak, when those entrenched behind huge financial resources, instead of throwing in those resources to help the community tide over the readjustment, use them instead to enable themselves to sit tight, thus bringing about a sudden plunge into depression through which they come with their titles to an increased share of national income intact. They secure that increased share through the reduction of a new class of the population to the bare subsistence level which is considered the portion of the wage earner.

It is this force acting, which is today determining the wages of industrial workers and the condition of the farmer, whose well-being is absolutely interlocked with the well-being, that is, purchasing power of the great body of consumers, the wage earners. I want now to show you how that force has acted during the present depression in order that you may understand the mass of wage statistics which the railroads have recently put upon the table. It is the pressure of this force which is today seeking a reduction in the wages of railroad workers, to prevent its own deflation.

Deflation appears in prices.

As already pointed out, wholesale prices were raised to such heights that they constituted what might be termed a lock-out of consumers. The natural demand for consumers goods would of necessity be relatively stable. Except for the slow increase in population the country's needs in the way of meat, cereals, bread, eggs, milk, butter, vegetables, fruit, clothing, housefurnishings, fuel, etc. go on steadily from year to year. The extraordinary thing, which I will consider in detail later, is that with all the excitement of the inflation period, production increased so very little more rapidly than the population.

Early in 1920 the pressure of wholesale prices upon the retailer who was constantly bound by the consumer's purchasing power reached a point where the demand for goods began to fall off. People began to buy less meat, less flour, less clothing, less shoes. It was called a buyers strike. But I think my name for it is more accurate, namely, a buyers lock out.

The following table shows the course of wholesale commodity prices from the end of the inflation period through the early stages of the depression. For purposes of reproduction this table is split into three sections. The black line tracing its way across the sheets shows the month in which prices of the various commodities started down.

Relative wholesale prices of groups of commodities and of specific commodities, by months, 1919-1921.
(the black line indicates the months in which the break in prices came for the various groups.)

Live										Metals			
Hogs heavy	100 lbs	100 lbs	Bacon, stock, index number of farm prices	Pound	Mutton, dressed	Pound	Cattle, steers, choice and prime	Butter, cream-ery and extra, Chicago number	Cloths and clothing, index ₂	Farm products index	Cotton upland middling	Wool metal pro-ducts	Tin, pig
1919	245.1	214	256	223	222	198	217	235	226	254	152	162	
April	248.2	218	260	199	213	179	228	240	242	245	152	162	
May	247.0	213	4261	161	178	165	258	4231	256	285	154	160	
June	265.7	222	264	155	195	164	282	246	274	289	158	156	
July	254.9	221	261	151	4297	171	304	243	250	298	165	141	
August	203.2	191	215	115	196	183	306	226	243	298	160	124	
September	175.2	174	178	123	209	208	313	230	277	315	161	125	
October	175.1	169	181	127	3215	221	325	240	309	324	164	121	
November	163.7	164	178	137	215	219	335	244	308	324	169	123	
December													
1920													
January	180.4	173	174	153	198	203	350	246	307	341	177	142	
February	173.5	177	173	200	182	201	356	237	303	350	189	134	
March	172.6	178	166	190	172	214	356	4239	234	350	192	138	
April	177.0	181	172	244	163	206	353	246	4331	5359	195	138	
May	167.1	177	171	189	150	184	347	244	323	354	193	124	
June	176.0	175	167	167	182	177	335	243	307	263	190	109	
July	177.6	176	163	165	184	178	317	236	321	258	191	109	
August	180.9	172	158	135	189	174	299	222	281	254	193	105	
September	197.8	174	159	115	195	183	278	210	235	219	192	99	
October	176.6	166	171	111	194	183	257	182	177	197	184	90	
November	144.9	147	150	120	185	190	234	165	148	171	170	82	
December	114.0	121	129	105	151	164	220	144	121	136	157	76	
1921													
January	111.2	120	113	110	118	155	208	136	131	136	132	79	
February	109.5	117	113	91	112	153	198	129	109	140	146	73	
March	113.1	123	121	113	115	148	192	125	92	136	139	64	
April	98.3	112	109	130	103	145	186	115	95	131	138	63	

Relative wholesale prices of groups of commodities and of specific commodities, by months, 1919-1921.
(The black line indicates the months in which the break in prices came for the various groups.)

1913-100

	Foods index number	Wheat No. 1 north- ern	Wheat flour	Lumber and building materials index ²	Douglas fir No. 1	Corn No. 2 mixed	All com- modities index ²	Shoes Good- year weight	Steel stru- tural	Farm drops index ¹	Yellow pine flooring	Coke fur- nace								
													Bushel	Barrel	M feet	Bushel	Pair	Pound	M feet	Short
1919																				
April	211	296	292	162	190	257	203	208	170	220	144	160								
May	214	297	306	164	201	284	207	216	170	238	146	158								
June	204	281	4286	175	277	283	207	228	170	249	153	164								
July	216	307	268	186	310	307	218	240	170	252	164	168								
August	227	289	264	208	342	310	226	249	170	267	175	173								
September	211	290	268	227	353	248	220	285	170	258	213	188								
October	211	301	279	231	353	224	223	289	170	235	224	198								
November	219	323	292	236	353	240	230	291	170	227	224	243								
December	234	347	332	253	364	237	238	297	170	230	251	248								
1920																				
January	253	336	338	268	407	240	248	298	169	241	251	236								
February	244	308	305	300	407	232	249	305	181	252	312	236								
March	246	315	318	325	407	253	253	308	3206	255	312	236								
April	270	344	325	341	407	273	265	308	219	271	359	414								
May	287	352	349	341	407	319	272	308	219	294	359	473								
June	279	332	333	337	320	296	269	292	219	309	359	607								
July	268	324	323	333	320	248	262	292	200	304	359	680								
August	235	292	303	328	320	247	250	292	194	268	352	694								
September	223	285	304	318	277	210	242	292	200	239	352	655								
October	204	4241	3265	313	266	142	225	255	200	202	341	596								
November	195	201	218	274	178	129	207	249	194	163	279	319								
December	172	192	215	266	179	121	189	249	175	135	279	232								
1921																				
January	162	205	216	239	168	109	177	233	4175	129	...	200								
February	150	191	207	221	136	106	167	233	175	123	...	177								
March	150	185	208	208	136	104	162	233	163	120	...	171								
April	141	161	181	203	136	93	164	225	163	113	...	138								

Continued

Relative wholesale prices of groups of commodities and of specific commodities, by months, 1919-1921
 (The black line indicates the months in which the break in prices came for the various groups.)

	1919				1920				1921			
	Fuel and lighting index	Pig iron	House furnishing goods	Paper news-print	Coal bituminous	Crude petroleum Kansas Oklahoma	Cement Portland	Zinc spelter	Gasoline motor	Refined petroleum	Coal anthracite	
April	187	171	217	186	181	241	...	112	145	150	151	
May	167	171	217	188	181	241	...	111	145	150	152	
June	170	171	233	188	181	241	...	117	145	162	155	
July	171	171	245	188	181	241	...	135	145	166	156	
August	175	171	259	...	181	241	...	135	145	177	158	
September	181	171	262	...	204	241	...	130	145	178	160	
October	181	171	264	...	3204	241	...	136	145	178	160	
November	179	182	299	...	186	252	...	140	145	178	161	
December	181	216	303	...	186	268	...	150	145	178	160	
January	184	235	324	...	186	311	170	167	153	182	160	
February	187	250	329	...	186	321	170	159	157	195	160	
March	192	253	329	292	186	375	170	5153	166	203	160	
April	213	254	331	278	250	375	170	148	169	211	160	
May	235	257	339	278	272	375	170	140	175	211	171	
June	246	261	362	278	272	375	170	138	178	211	178	
July	252	275	362	278	272	375	185	141	178	211	180	
August	268	286	363	278	272	375	194	143	178	211	183	
September	284	294	371	292	322	375	200	135	185	224	198	
October	282	287	371	306	322	375	200	129	185	236	198	
November	258	240	369	322	322	375	200	117	185	236	198	
December	236	215	346	286	322	375	200	103	185	236	199	
January	278	198	283	278	254	364	199	102	185	236	200	
February	218	183	277	275	232	208	177	93	173	224	200	
March	207	164	275	266	221	187	175	90	160	212	200	
April	199	157	274	266	221	187	175	90	155	207	191	

Explanation of Reference Figures on the
Three Preceding Tables.

- 1- Department of Agriculture, Monthly Crop Reporter, June, 1921.
- 2- Department of Labor index number. Average prices to farmer. Crop index is composed of prices paid for the 10 leading crops.
- 3- Peak of production; in the case of cattle and hogs, peak of receipts at primary market.
- 4- Bold-faced type indicates the month in which the peak of exports was reached.
- 5- Peak of imports
- 6- Beginning of marked increase in corn imports.

In order to see the true significance of these prices it will be necessary to take into consideration certain facts which do not appear in the table itself. From the table it appears that the peak price of meats and livestock was reached in 1919, while the upward swing of business was just starting its final stage. Similarly it appears that the peak of prices for farm products and for crops was reached early in 1920, before the real appearance of unemployment and the deflation of the earner's purchasing power. But a careful examination of the figures for all commodities, it seems to me, discloses the fact there ~~are~~ two distinct influences at work upon these prices. Let us consider a number of the distinctly consumers commodities, those which enter directly into the cost of living to a family.

Take hogs and pork products. They have been considered the poor man's meat. They were also exported on a large scale. The wholesale prices of pork products increased by a much larger percentage than any other meat products. From this table it appears that the price of hogs reached a level over 165% above that prevailing in 1913. Now, after June, 1919, the export of the products began to decline. The result appears to have been a sharp drop in price from the abnormally high level. This lasted from August to the end of the year. Then, it appears, the decline was arrested at about the level above 1913 which had been reached by other meat products. After that pork prices actually rose to a new, although lower peak in September, 1920. It is between September and November, 1920, that we find the real sharp drop from a level nearly 100% above 1913.

This real drop to a level which hurt the farmer was the result of a decline in consumption forced by a combination of high prices and declining payrolls. This is corroborated by a glance at the course of retail food prices. The retail price of pork products did not really break until September and October, 1920, or until after the developement of unemployment was in full swing. At that time all pork products were more than 100 percent above the 1913 level of prices, and the price of fresh pork was 138 percent above that level. This appears in the following table showing the retail prices of pork products during 1919 and 1920.

COURSE OF RETAIL PRICESOF PORK PRODUCTS.

(U. S. DEPT. OF LABOR - INDEX NUMBERS BASED
ON 1913 = 100)

(JAN. 1921 LABOR REVIEW)

	Pork Chops	Bacon	Ham	Lard
1919: Av. for year	201	205	209	134
January	193	217	199	211
February	180	205	193	203
March	184	203	191	211
April	197	212	197	223
May	205	210	203	246
June	202	212	205	254
July	220	215	211	266
August	223	214	212	266
September	219	206	205	242
October	211	196	195	228
November	200	189	188	231
December	181	186	186	221
1920:				
January	178	186	187	215
February	180	186	188	204
March	186	186	190	192
April	206	191	199	191
May	202	195	206	189
June	194	200	215	185
July	208	203	222	184
August	219	203	223	177
September	238	202	224	177
October	238	202	222	185
November	210	196	212	183

The same thing seems to be true of cattle prices and of the prices of live-stock and beef in general. There was a first drop in 1919 due to the falling off in exports, But the real plunging of the price came relatively late in 1920 when the home demand fell off. Note in the wholesale price table that the price index for livestock rose slightly early in 1920 and did not drop sharply toward pre-war levels until ~~Sep~~ ~~tember~~ of that year. The price index of cattle steers follows a similar course, rising from May to September, 1920, and beginning the real plunge toward pre-war prices in October. A glance at the following table showing the index number of the price of beef products during 1919 and 1920, demonstrates the fact that this did not begin to decline until the latter half of 1920, although it started down earlier than pork.

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COURSE OF RETAIL PRICES

OF BEEF PRODUCTS

(U.S. DEPARTMENT OF LABOR - INDEX NUMBERS BASED
ON 1913 = 100)

(JANUARY 1921 - LABOR REVIEW)

	Sirloin steak	Round steak	Rib roast	Chuck roast	Plate Beef
1919: Av. for year	164	174	164	169	167
January	162	175	165	175	181
February	162	174	165	174	181
March	165	177	169	178	183
April	172	182	175	184	187
May	175	187	178	186	186
June	170	181	171	176	174
July	171	183	169	173	168
August	166	177	164	166	160
September	161	170	158	158	150
October	157	165	155	153	145
November	155	162	153	151	143
December	154	161	153	152	143
1920:					
January	159	166	159	158	152
February	160	167	159	157	152
March	161	168	161	157	150
April	170	179	169	166	157
May	171	179	169	166	155
June	182	191	176	174	157
July	192	202	181	179	158
August	186	196	176	172	154
September	185	193	175	170	152
October	177	188	168	162	147
November	171	178	165	158	146

Following across the table we find that the price of wheat and wheat flour did not start down in good earnest until the latter half of 1920, when the domestic demand fell off. The price of wheat did not go under 200% above the 1913 level until August, 1920, and the sharp drop from an index number of 285 and an index number of 201 comes between September and November. Export demand had kept the prices of pork and wheat far above the levels attained by other similar food staples, and the result of the withdrawal of this abnormal demand was merely to cause them to find that level. When the domestic consumer's demand fell with the onset of unemployment, then with all other commodities of their class they fell rapidly toward pre-war price levels.

A glance at the Farm Crops index which is included in this table of wholesale prices will show that there is a natural rise in prices up to the summer months when crops begin to be harvested. After that there is a decrease in price to the end of the harvest season, when the upward movement begins again. For this reason the index numbers for crops should really be based on some base which would take this fact into account. From the facts as they appear in the table it does not appear that the prices fell away from this tendency until September or October, when they dropped from a level 168% above the 1913 level to a level first 139% and then 102% above that level. Referring to the Department of Labor index numbers for retail food prices we find

from the following table that the prices of flour, corn meal, rice, potatoes and sugar did not drop abruptly until after the middle of 1920.

11.

17.

COURSE OF RETAIL PRICES

OF FLOUR, CORNMEAL, RICE, POTATOES & SUGAR

(U. S. DEPARTMENT OF LABOR - INDEX NUMBERS BASED
ON 1913 = 100)

(JANUARY 1921 - LABOR REVIEW)

	Flour	Corn meal	Rice	Pot- atoes	Sugar
1919: Av. for year	218	213	174	224	205
January	200	207	159	188	196
February	203	200	164	182	195
March	206	197	154	171	193
April	218	200	154	182	193
May	227	207	154	194	193
June	227	210	159	224	193
July	227	217	168	282	198
August	224	220	178	294	202
September	221	223	190	253	200
October	221	220	199	224	207
November	224	220	202	229	227
December	233	220	202	253	264
1920:					
January	245	220	208	318	324
February	245	217	210	353	342
March	242	217	211	400	340
April	245	217	214	535	367
May	264	223	215	565	462
June	267	230	215	606	485
July	264	233	214	524	482
August	255	230	210	294	416
September	252	227	202	229	333
October	236	213	185	200	253
November	221	197	163	194	235

The fact just emphasized in connection with the majority of important farm products, namely, that the influential factor in the abrupt break in the prices of these products was the sudden decrease in domestic demand due to the beginning of unemployment at a time when enormously high prices had already destroyed the purchasing power of the consumer for manufactured articles, is stated clearly in the report of the Joint Commission of Agricultural Inquiry of Congress, already referred to, as follows:

"Exports of beef and veal declined rapidly during 1920 and 1921. This decline in exports was coincident with the decline in prices and doubtless was a major factor in inducing it. The failure of export demand was accompanied by a sharp decline in prices. Consumption of beef in this country bears a very close relation to urban employment or unemployment, and with the progress of the period of business depression and consequent unemployment, consumption of beef and beef products diminished."

This report emphasizes both aspects of the deflation of the farmer's prices. I am emphasizing the last because it has been pretty generally passed over. The important tendency from our point of view was the deflation of purchasing power of the large portion of the community which always lives on a minimum income. This includes not only wage earners but the majority of small trades people and farmers. The interests of this very large group are so closely interlocked that what happens to one affects all. The important thing for both storekeeper and farmer today is a restoration of the purchasing power of the industrial population.

This report continues on the same page (Vol.I.p 16) as follows:

"Consumption of wheat, beef, mutton and dairy products have all declined during the period of depression and this decline in consumption undoubtedly contributed to and accelerated the decline in the prices of these commodities."

The report on the following page sums up in a sentence the vicious circle created by the method of deflation followed by business, as follows:

"As prices of Agricultural products declined, the purchasing power of the agricultural population, representing nearly 40% of the total purchasing power of the country, began to diminish. As the purchasing power of the American farmer diminished, the production of industries that produced the commodities of commerce began to decline, and unemployment, resulting in diminishing consumption, gave further impulse to the avalanche of prices." (Vol. I. p.17)

Again the report brings out this relationship between the consumption of farm products and employment, as follows:

"The domestic consumption of wheat in 1920, as compared with 1919, dropped from 6.9 bushels to 4.6 bushels. This decline in consumption was no doubt due to the falling purchasing power resulting from unemployment and the general depression which came upon the country during the last half of 1920." (Vol. I p. 18)

While we do not deny the influence of heavy exports upon the price of farm products, we feel that the analysis of price movements to which I have just called your attention proves conclusively that an equally important factor is domestic consumption, and that this is directly and adversely affected by unemployment. All the productive classes in America were to bear the burden caused by the inflation of prices to levels which, while creating enormous paper titles to a share in national income at the same time reduced the ability of the population to consume the products of agriculture and industry.

Unemployment and its Effect upon Purchasing Power.

I have pointed out the effect of the decreased purchasing power of wage earners on the demand for the farmer's products. I want next to show graphically the drastic curtailment of purchasing power resulting from unemployment. However, I want first to quote the following statement which appeared in the Wall Street Journal of February 17, 1921:

"It is the opinion of the steel trade that this year will mark a series of wage reductions that will accompany steel price cuts and a general decline in the cost of living. Common labor may get down to a \$2.50 a day basis. Lower wages and surplus labor will force a corresponding decline in the necessities of life, particularly in food-stuffs and rents."

The thought appears to be that there is only one way in which civilized community can deflate prices and that is by cutting the purchasing power of the low paid members. Some of the wage rates presented before this Board appear to be carrying out this policy.

Turning to the actual development of unemployment I wish to call your attention to a table showing the course of employment in the various industries as reported to the U.S. Department of Labor. The table contains index numbers based on January 1916 taken as 100.

DATES OF DECREASES IN EMPLOYMENT IN VARIOUS INDUSTRIES
DURING "DEFLATION" OF 1920

Based on figures of U. S. Bureau Labor Statistics and Interstate Commerce Commission.

Index numbers of employment, Jan. 1916 = 100

	Auto Mfg.	Leather Boots & Shoes	Hosiery & Underwear	Silk Mfg.	Woolen Mfg.	Men's Cloth- ing	Cotton Cloth- ing	Cotton Car- Bldg.	Iron & Repairing Steel	Paper R.R. Shops.		
1920												
Jan.	153	117	102	107	87	104	97	107	115	92	119	123
Feb.	156	114	100	106	87	102	99	104	112	92	121	122
Mar.	155	115	101	107	86	104	105	104	114	92	123	127
Apr.	152	111	99	108	87	104	108	102	113	96	122	126
May	148	109	97	105	86	103	109	100	112	113	114	127
June	144	105	96	100	84	96	106	102	113	117	120	127
July	146	105	88	97	82	48	102	101	115	97	118	131
Aug.	139	100	87	92	81	40	97	100	113	108	117	133
Sept.	133	92	74	86	75	55	90	94	112	102	120	133
Oct.	117	87	71	77	74	57	77	84	110	98	120	132
Nov.	104	80	67	68	71	50	64	82	105	99	116	132
Dec.	99	75	68	53	66	41	52	81	101	87	106	124

The line traced across this table shows the month in which employment in each industry began to decrease. It is significant that unemployment began in those industries primarily engaged in the production of goods which go to make up a family budget. It is true that the first break in employment seems to have come in the Automobile Industry. This is explained by the fact that the banks tightened up on credit to this industry and need not concern us here. Beginning with April, ^{un-}employment began to appear in the Leather and in the Boot and Shoe industries. In the following month hosiery and underwear, silk manufacturing and wool manufacturing started on the downward course. In June decreased employment in the men's clothing industry began. In July came the first drop in the Cotton finishing industry, followed in August by Cotton manufacturing. In other words, between April and August, the whole group of industries manufacturing clothing materials and clothing started a period of lay-offs and unemployment. It was during this same period that farmers were faced with decreased consumption of their products. In other words the sky-rocketing of prices had broken the power of the consumer to purchase necessities such as clothing and food. And the appearance of unemployment tended to carry this decreased purchasing power further.

The next set of tables with the charts accompanying them show how suddenly the purchasing power of the wage earners broke and how far it fell. There are two curves

for each industry. The unbroken line shows the course of total wages which is, of course, the purchasing power. The broken line shows the course of employment.

I am going to consider a number of these industries in considerable detail because I want to show clearly how the labor market works. I want to have you understand what it means to treat labor as a commodity. And I want to connect it not only with the effect upon equality in the wage bargain but also with the more widespread effect upon the recovery of the country from depression. Before entering upon the discussion I am going to state our point of view.

The creation of a large surplus of workers through such a sudden depression destroys even the possibility of just determination of wages by individual employees dealing with management. Where management is entrenched behind surpluses it has no immediate incentive or need for a quick resumption of industrial activity. Management can afford to hold off until the worker is ready to submit to the wages which it proposes. The wage earner, always living close to the subsistence level, has no such reserves to enable him to hold off until some adjustment between equals is obtainable. He is faced with increasing want of necessities by his family if he does not accept the conditions laid down. It is this fact of periodic unemployment which has, during the last thirty years, prevented the industrial workers from steadily improving their standard of living. It is this fact of periodic unemployment which constantly holds wages down to a level which hardly provided more than the minimum

upon the work of this Bureau, it will be interesting to note that its directors are such men as T. S. Adams, Advisor to the U. S. Treasury Department, John P. Frey, Editor of the International Holders' Journal, Edwin F. Gay, President of the New York Evening Post, J. E. Sterret of the well known Accounting Firm of Price, Waterhouse & Co., F. P. Fish of the National Industrial Conference Board, W. R. Ingalls of the Engineering Council, George E. Roberts of the American Bankers' Association and Gray Silver, of the American Federal of Farm Bureaus.

IMPORTANT CHANGES IN DISTRIBUTION OF NATIONAL INCOME.

Analysis of the figures developed in the following tables leads to certain striking conclusions which may be briefly summarized as follows:-

(1) Agriculture did slightly better than maintain its share of national income during the years 1914 to 1919 inclusive. After that year its share dropped abruptly until in 1921 the agriculturalist received only approximately 20.6% of the total income for agriculture, mining, manufacture and land transportation in contrast with 32.5% received in 1913.

(2) The share of management and property in the income from mining, manufacturing, and land transportation, with slight losses in 1914 and 1918, increased steadily from 28% to 45.3%. This steady

increase meant an accumulated net gain for ownership of over \$5,000,000,000.

(5) The total share of the wage earners in the income produced from these sources decreased from 66.5% to 48.9%, their net loss amounting to over \$5,000,000,000 in the course of eight years.

In other words cold figures reveal the fact that capital has profited at the expense of labor to the extent of \$5,000,000,000, making profits during both inflation and deflation. It has thus entrenched itself behind these huge amounts of money and is now pursuing with confidence a war of attrition to force large new fixed charges out of labor.

More detailed discussion follows:

DIVISION OF INCOME BETWEEN AGRICULTURE,
MINING, MANUFACTURE AND TRANSPORTATION.

The basic industrial groups, and the ones about which the most exact information is available, are agriculture, mineral production, manufacturing and land transportation.

The following table, Table I, shows the variation in the proportion of national income received by each group from year to year. Figures for 1913-1918 are from the National Bureau of Economic Research, those for 1919-1921 are estimated from census and other sources.

TABLE I.

Total Income (Dollars)

For Agriculture, Mineral Production, Factory Production & Land Transportation

1913 - 1921

(Millions of dollars)

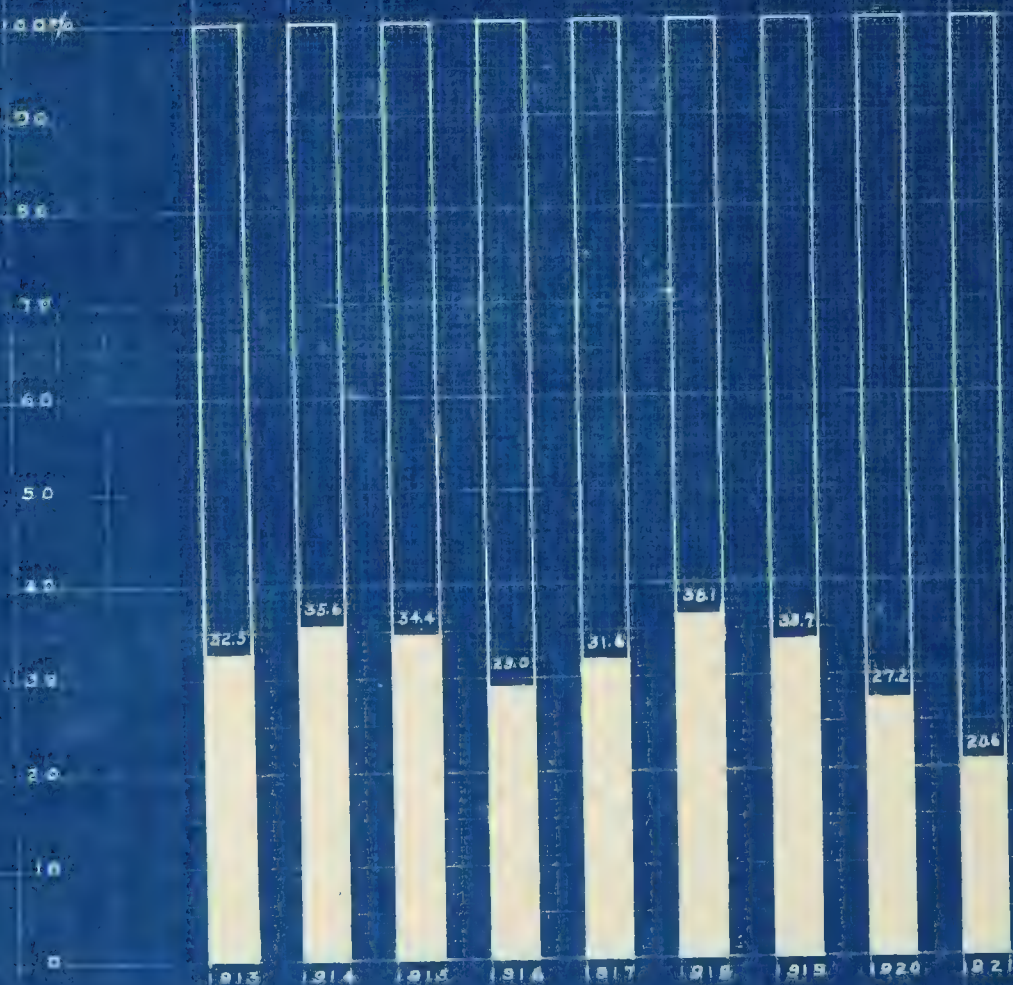
(These figures include over half of National Income)

	<u>1913</u>	<u>1914</u>	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>
Agriculture	\$5,887	\$6,040	\$6,376	\$7,249	\$9,720	\$12,682	\$13,846	\$13,263	\$6,239
Mineral Production	1,191	1,039	1,133	1,541	1,853	2,013	1,911	2,791	1,563
Manufacturing (factories)	7,976	6,964	7,881	12,404	14,957	16,018	19,383	26,051	15,279
Land Transportation	3,077	2,934	3,148	3,648	4,117	4,726	6,006	7,207	8,207
Total (above classes)	18,131	16,977	18,538	24,842	30,647	35,439	41,146	49,312	30,288

#5½ (cont'd)

	<u>1913</u>	<u>1914</u>	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>
Agriculture	32.5%	35.6%	34.4%	29.0%	31.6%	36.1%	33.7%	27.2%	20.6%
Mineral Production	6.5	6.1	6.1	6.3	6.0	5.7	4.6	5.7	5.2
Manufacturing (factories)	44.0	41.0	42.5	50.1	49.0	44.7	47.1	52.4	50.4
Land Transportation	<u>17.0</u> <u>100.00</u>	<u>17.3</u> <u>100.0</u>	<u>17.0</u> <u>100.0</u>	<u>14.6</u> <u>100.0</u>	<u>13.4</u> <u>100.0</u>	<u>13.5</u> <u>100.0</u>	<u>14.6</u> <u>100.0</u>	<u>14.7</u> <u>100.0</u>	<u>23.8</u> <u>100.0</u>

PERCENTAGE OF AGRICULTURAL INCOME (DOLLARS)
TO TOTAL INCOME FROM AGRICULTURE, MINING, FACTORY
PRODUCTION AND LAND TRANSPORTATION.
1913 - 1921



FARMERS' SHARE

From this table it appears that in the last two years the farmers have been heavy losers and that their losses closely reflect large gains in the profits of manufacture. Their proportion went up slightly in 1914, due largely to the industrial depression of that year which reduced the production of manufactures without much affecting prices of crops. In 1916 and 1917 their share fell back again on account of large industrial profits. In 1918 and 1919 the high prices of farm products brought them prosperity, but the price reaction of 1920 and 1921 fell heaviest upon their shoulders, the agricultural income for 1921 being less than one-half that for 1920.

Chart I accompanying this table shows graphically the changing share of the farmers in the total income distributed.

The chief gainer, both in actual income and in share of the total, during the period, was manufacturing. Mines did not fluctuate so much. Transportation, due to its steadier rates and traffic, remained more constant in dollars, though receiving a smaller share in high-price periods and a larger share in low-price periods. It should be remembered, however, that the full income received by the Trans-

portation Industry in 1918-1920 inclusive is not included in the official statistics used. The federal rental of approximately \$906,500,000 was in fact a part of railroad income, given in lieu of freight rates. The difference between this amount and the net earnings for the year should, in strict accuracy, be added to the above figures for Transportation Income. This would add approximately \$267,500,000 to the income apportioned to transportation in 1918, approximately \$451,500,000 in 1919 and approximately \$727,000,000 in 1920. Such additions would slightly better transportation's proportion for those years.

DIVISION BETWEEN PROPERTY AND WAGE EARNER.

Table 2 eliminates the farmer and considers the distribution of income from the other three sources as between capital, officials and wage earners. The kind of income considered as making up the share of capital are (a) Interest on bonds and loans, (b) Rents and royalties in land and natural resources, and (c) Profits or dividends plus yearly addition to surplus.

TABLE II

DISTRIBUTION OF INCOME

MINES, FACTORIES AND LAND TRANSPORTATION

YEAR	TOTAL INCOME	CAPITAL	SALARIES OF OFFICIALS	WAGES OF MANUAL WORKERS & CLERKS	TOTAL WAGES AND SALARIES
1913	\$12,010,000,000	\$3,359,000,000	\$656,000,000	\$7,995,000,000	\$8,651,000,000
1914	10,763,000,000	2,816,000,000	691,000,000	7,256,000,000	7,947,000,000
1915	12,192,000,000	3,470,000,000	723,000,000	7,999,000,000	8,722,000,000
1916	17,440,000,000	5,810,000,000	846,000,000	10,784,000,000	11,630,000,000
1917	20,877,000,000	6,502,000,000	1,015,000,000	13,360,000,000	14,375,000,000
1918	22,596,000,000	5,124,000,000	1,235,000,000	16,237,000,000	17,472,000,000
1919	27,300,000,000	7,410,000,000	1,275,000,000	18,615,000,000	19,890,000,000
1920	36,049,000,000	12,049,000,000	1,320,000,000	22,680,000,000	24,000,000,000
1921	24,049,000,000	10,523,000,000	1,280,000,000	12,246,000,000	13,526,000,000

1. The figures from 1913 to 1918 are from "Income in the United States", National Bureau of Economic Research. The figures from 1919 to 1921 were estimated as follows: First there was found the ratio of the "Total Income" for 1914 to the value-product of manufactures for 1914 as given in the U. S. Census of Manufactures. This ratio was applied to the Census figure of value - product of manufactures for 1919 to give the 1919 "Total Income". By a similar process the "Total Wages and Salaries" for 1919 were derived. "Total Income" for succeeding years was derived by applying a weighted index made up of percentage changes of physical production and percentage changes of prices, for each industry under consideration, to the 1919 figure. Salaries of Officials were roughly estimated for the three years. "Total Wages" for 1920 and 1921 were calculated by applying to the 1919 figure or index upon the fluctuation of the wage bill in Wisconsin and New York, as reported by the respective State Departments of Labor. It is assumed that the total wage bill fluctuated in the same way as the manufacturing. The assumption rests upon the consideration that manufacturing occupies over two-thirds of the total and that while transportation earnings perhaps fluctuate less than manufacturing, the earnings of miners fluctuate more. The difference

between "Total Income" and "Total Wages and Salaries" was taken as the share of "Management and Property".

The actual changes in the distribution of income shown in Table 2, can be most clearly seen in terms of the percentage of income received by each interest. This is shown in the following table, No. 3. Chart 2 accompanying this table shows the changing share in income graphically.

PERCENTAGE OF TOTAL INCOME OF MINES, FACTORIES AND
LAND TRANSPORTATION DIVIDED AMONG MANAGEMENT
PROPERTY, OFFICIALS, AND LABOR

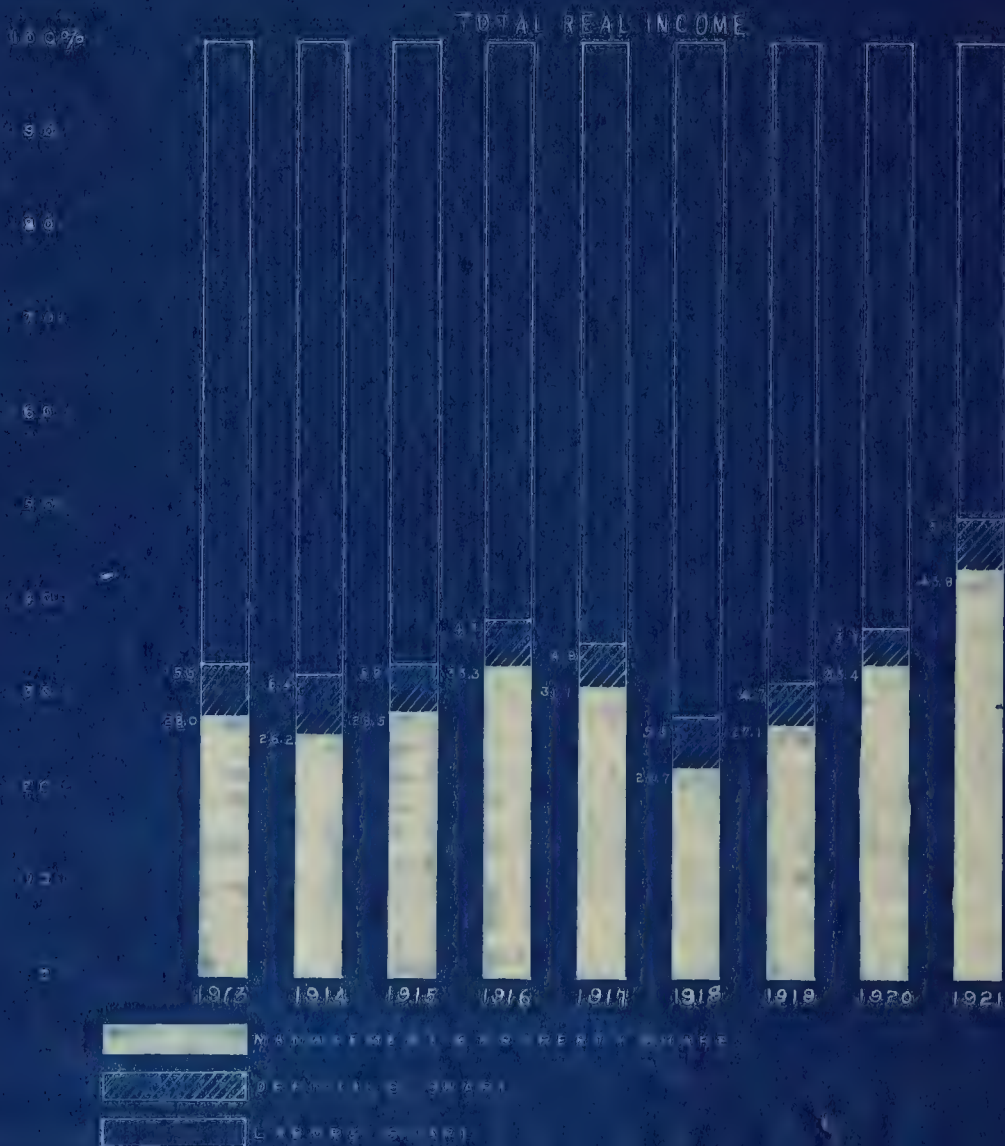


TABLE 3.

DISTRIBUTION OF INCOME FROM MINES, FACTORIES
AND LAND TRANSPORTATION SHOWN BY PERCENTAGES
OF TOTAL.

Year	Total Income	Share of Capital	Share of Officials	Share of Wage Earners.	Share of Wages and Salaries.
1913	100%	28.0%	5.5%	66.5%	72.0%
1914	100	26.2	6.4	67.4	73.8
1915	100	28.5	5.9	65.6	71.5
1916	100	33.3	4.9	61.8	66.7
1917	100	31.1	4.9	64.0	68.9
1918	100	22.7	5.5	71.8	77.3
1919	100	27.1	4.7	68.2	72.9
1920	100	33.4	3.7	62.9	64.6
1921	100	43.8	5.3	50.9	56.3

From this table it appears that in 1913 invested capital received only a little over one-fourth of the total, 28% to be exact. Officials received slightly over 5% and labor received about two-thirds. These shares were subject only to slight fluctuations for the next two years. But in 1916 and 1917 war profits sent management's share up considerably.

In 1918 wage earners received slightly more than their 1913 share, but in 1919 profits again took the lead, increasing it materially during the high prices and profits of 1920.

In 1921 labor's share fell to the lowest point of the whole period, in spite of considerably smaller profits.

The great drop in labor's earnings in 1921 was due to a combination of two factors, (a) unemployment, and (b) wage reductions. It must be remembered that the total wage bill is reduced not merely by the amount taken off wage rates - that **may** be the smallest part of the reduction - but also by the laying off of employees or by part time work.

The above tables show that the burden both of the inflation period and the deflation period was born by labor. The farmer shared the burden in

the deflation period. The two production classes suffered while invested capital made its position stronger.

DISTRIBUTION OF INCOME IN TERMS OF PURCHASING POWER

The share of each group in the national income is only as large as the supply of goods which it will buy. It will be interesting to modify the figures shown above in such a way as to interpret the income of the years 1914 to 1921 in terms of 1913 dollars.

This is especially interesting because it brings out the fact that the rising prices affected the cost of living for different classes differently. In other words, the cost of living increased most for the wage earner and least for the rich man.

Mr. Wilford H. King, of the National Bureau of Economic Research, already referred to, made a study of the family budgets of people in the \$25,000 income class, and worked out an index of the cost of living for that class similar to that worked out by the Department of Labor for wage earners. He worked a similar index for people with incomes of \$5,000. These index numbers which, broadly, indicate the increase in the cost of living to investors to officials and to wage earners, are shown below in Table 4.

TABLE 4.

INDEX NUMBERS SHOWING CHANGES IN COST OF
LIVING TO VARIOUS CLASSES.

Year	Investors' Income of \$25,000	Officials' Income of \$5,000	Wage Earners
1913	100.0	100.0	100.0
1914	101.0	101.5	101.0
1915	99.6	100.2	103.0
1916	107.4	108.8	110.0
1917	119.8	125.2	129.0
1918	156.4	144.8	158.0
1919	162.8	170.0	177.0
1920	175.2	191.0	208.5
1921	164.0	171.0	178.9

14.

King's index number in the case of \$25,000 incomes only runs through 1919, for incomes of \$5,000 only through 1918. For the remaining years it has been estimated on the basis of the course of retail prices. The index of the purchasing power of labor is that of the U. S. Bureau of Labor statistics. Wherever two index numbers were given for one year, the simple average is used.

The significant fact shown by these index numbers is that the articles bought by people with incomes of \$25,000 and over did not go up quite so rapidly or quite so far as the prices of the necessities bought by wage earners.

15. It may be argued that much of the corporation income was not distributed and spent by individuals, but was saved in the form of surpluses and investments. If so, however, the purchasing power of that large part of surplus which was held in earlier years to be used for dividends when price deflation had lowered profits, was even greater than at the time when it was accumulated. Therefore the index is not unfair as applied to the share received by large income-receivers.

PURCHASING POWER OF SHARE OF CAPITAL

The purchasing power of the share of the national income received by capital, in terms of 1913 dollars is developed in Table 5 below, by the use of the index number already described.

TABLE 5.

PURCHASING POWER OF CAPITAL'S SHARE OF NATIONAL INCOME FROM MINES, FACTORIES AND LAND TRANSPORTATION.

(1913 = 100)

<u>Year</u>	<u>Actual Income</u>	<u>Index</u>	<u>Purchasing Power</u>
1913	\$3,359,000,000	100.0	\$3,359,000,000
1914	2,816,000,000	101.0	2,788,000,000
1915	3,470,000,000	99.6	3,484,000,000
1916	5,810,000,000	107.4	5,410,000,000
1917	6,502,000,000	119.8	5,427,000,000
1918	5,124,000,000	136.4	3,757,000,000
1919	7,410,000,000	162.8	4,552,000,000
1920	12,049,000,000	175.2	6,871,000,000
1921	10,523,000,000	164.0	6,416,000,000

PURCHASING POWER OF SHARE RECEIVED BY OFFICIALS

In table 6, below, will be found a similar tabulation of the purchasing power of the share received by salaried officials.

TABLE 6.

PURCHASING POWER OF SHARE OF OFFICIALS IN
NATIONAL INCOME FROM MINES, FACTORIES AND
LAND TRANSPORTATION.

<u>Year</u>	<u>Actual Share</u>	<u>Index</u>	<u>Purchasing Power</u>
1913	\$656,000,000	100.0	\$656,000,000
1914	691,000,000	101.3	682,000,000
1915	723,000,000	100.2	721,000,000
1916	846,000,000	108.8	778,000,000
1917	1,015,000,000	125.2	811,000,000
1918	1,235,000,000	144.8	853,000,000
1919	1,275,000,000	170.0	750,000,000
1920	1,320,000,000	191.0	691,000,000
1921	1,280,000,000	171.0	749,000,000

PURCHASING POWER OF LABOR'S SHARE IN NATIONAL INCOME.

In table 7 will be found a similar study of the purchasing power of labor's share in national income derived from mines, factories, and land transportation.

TABLE 7.

PURCHASING POWER OF LABOR'S SHARE IN NATIONAL INCOME FROM MINES, FACTORIES AND LAND TRANSPORTATION.

	<u>Year</u>	<u>Actual Share</u>	<u>Index</u>	<u>Purchasing Power</u>
18.	1913	\$7,995,000,000	100.0	\$ 7,995,000,000
	1914	7,256,000,000	101.0	7,183,000,000
	1915	7,999,000,000	103.0	7,766,000,000
	1916	10,784,000,000	110.0	9,804,000,000
	1917	13,360,000,000	129.0	10,357,000,000
	1918	16,237,000,000	158.0	10,277,000,000
	1919	18,615,000,000	177.3	10,517,000,000
	1920	22,680,000,000	208.5	10,851,000,000
	1921	12,246,000,000	178.9	6,841,000,000

It is a striking fact that Labor alone is today, i. e. in 1921, below the level of purchasing power enjoyed in 1913. The purchasing power of capital's share in the income was in 1921 nearly twice as great as in the years 1913-14. The purchasing power of officials, as a group was over 10% greater than in 1913. But the purchasing power of labor as a group has shrunk until in 1921 it was only about 7/8 of what it was in 1913.

CHANGING SHARE OF LABOR IN INCOME.

9. In table 8, the data contained in the preceding tables is combined. It shows the distribution of income from Mines, Factories and Land Transportation in terms of the purchasing power on the basis of 1913 dollars. It shows the distribution of real income. Of course it takes no account of the number of persons to whom this income was distributed. It does not, therefore, show how the purchasing power of the average wage earner fluctuated. But it does show what was labor's share in the whole compared with capital's share, in so far as the industries studied are concerned.

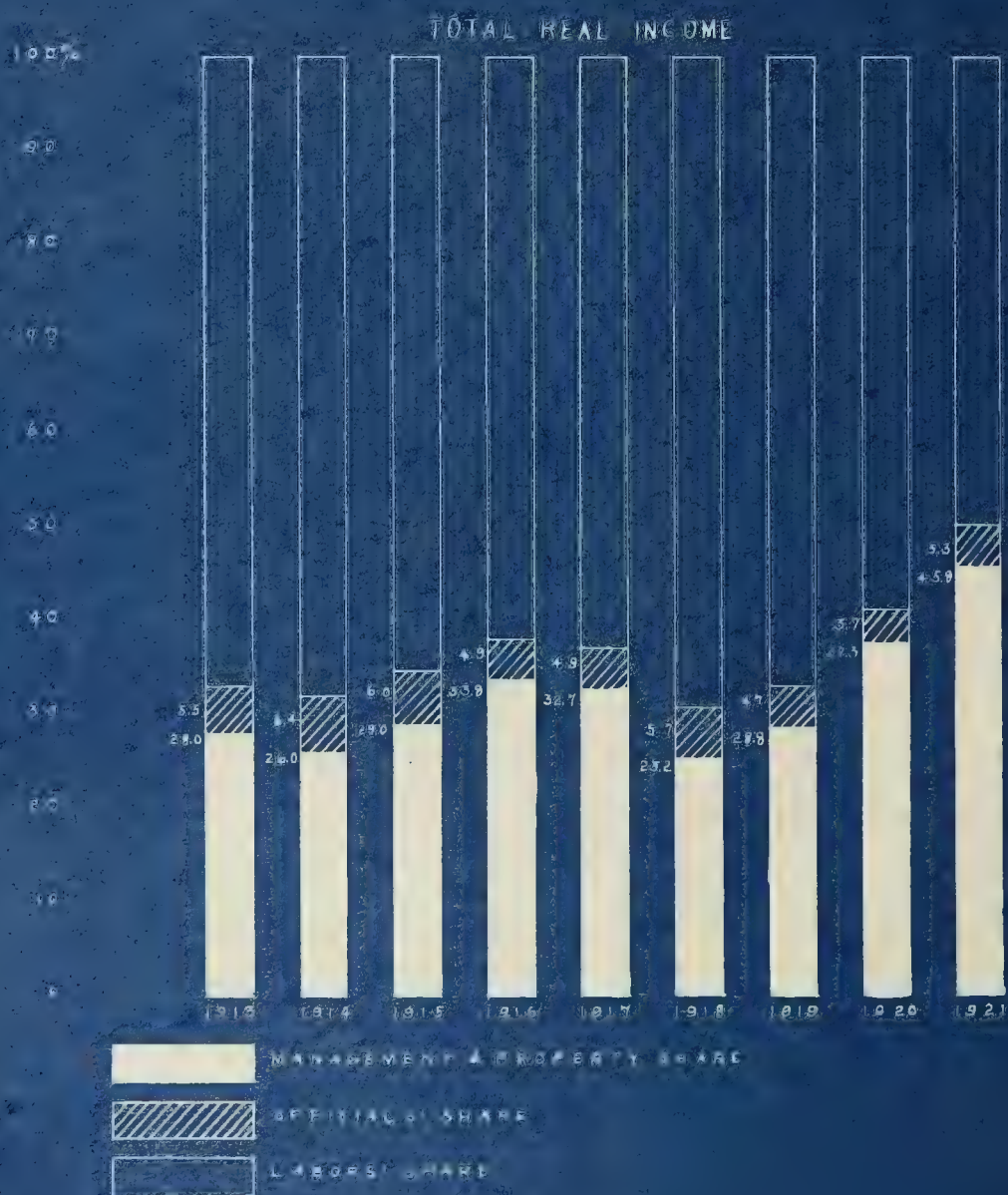
Table 8.

Distribution of Real Income
from Mines, Factories and Land Transportation.

<u>Year</u>	<u>Total Distributed</u>	<u>To Capital</u>	<u>To Officials</u>	<u>To Labor</u>
1913	\$12,010,000,000	\$ 3,359,000,000	\$ 656,000,000	\$7,995,000,000
1914	10,653,000,000	2,788,000,000	682,000,000	7,183,000,000
1915	11,971,000,000	3,484,000,000	721,000,000	7,766,000,000
1916	15,992,000,000	5,410,000,000	778,000,000	9,804,000,000
1917	16,595,000,000	5,427,000,000	811,000,000	10,357,000,000
1918	14,887,000,000	3,757,000,000	853,000,000	10,277,000,000
1919	15,819,000,000	4,552,000,000	750,000,000	10,517,000,000
1920	18,413,000,000	6,871,000,000	691,000,000	10,851,000,000
1921	14,006,000,000	6,416,000,000	749,000,000	6,841,000,000

The change in distribution shown in Table 8 can be developed in a most striking manner through showing the percent of Total Distributed received by each party to industry. This is done in the next Table, Table 9.

PERCENTAGE OF TOTAL REAL INCOME (1913 DOLLARS)
 OF MINING, FACTORIES & LAND TRANSPORTATION DIVIDED AMONG
 MANAGEMENT & PROPERTY, OFFICIALS, AND LABOR
 1913 — 1921



The change in distribution shown in table 8 can be developed in a most striking manner through showing the per cent of total distributed received by each party to industry. This is done in the next table, table 9.

TABLE 9.

DISTRIBUTION OF REAL INCOME FROM MINES, FACTORIES
AND LAND TRANSPORTATION SHOWN IN PERCENTAGES.

<u>Year</u>	<u>Total Distributed.</u>	<u>Capital's Share</u>	<u>Official's Share</u>	<u>Labor's Share.</u>
1913	100	28.0%	5.5%	66.5%
1914	100	26.0	6.4	67.4
1915	100	29.1	6.1	64.8
1916	100	33.8	4.9	61.3
1917	100	32.7	4.9	62.4
1918	100	25.2	5.7	69.1
1919	100	28.8	4.7	66.5
1920	100	37.3	3.7	59.0
1921	100	45.8	5.3	48.9

MANAGEMENT AND PROPERTY'S GAINS
 COMPARED WITH
 LABOR'S GAINS IN SHARE OF REAL INCOME OF MINING FACTORIES
 AND LAND TRANSPORTATION
 1913 — 1921



THE YEAR 1913 TAKEN AS A BASE WHEN PROPERTY RECEIVED
 28% OF THE TOTAL

INCREASE IN INCOME AND POWER OF CAPITAL

If the share of capital in the total income during 1913 is taken as normal, it is possible to show how capital has gained or lost during the periods of inflation and deflation taken as a single period in the country's history. These gains and losses are shown in table 10. In Chart 3, facing this table, the gains or losses are shown graphically. Note how the balance is all on capital's side of the fence.

TABLE 10

GAIN OR LOSS OF MANAGEMENT WITH RESPECT TO NORMAL SHARE OF REAL INCOME, 1913 to 1921.

Year:	Actual Share of Capital	Normal Share 28% of Total Dis- tributed.	Gain or Loss in Relation to Normal Share.
1913:	\$3,359,000,000	\$3,359,000,000	:
1914:	2,788,000,000	2,983,000,000	:\$ 195,000,000 loss
1915:	3,484,000,000	3,352,000,000	: 132,000,000 gain
1916:	5,410,000,000	4,478,000,000	: 932,000,000 gain
1917:	5,427,000,000	4,647,000,000	: 780,000,000 gain
1918:	3,757,000,000	4,128,000,000	: 371,000,000 loss
1919:	4,552,000,000	4,429,000,000	: 123,000,000 gain
1920:	6,871,000,000	5,156,000,000	: 1,715,000,000 "
1921:	6,416,000,000	3,922,000,000	: 2,494,000,000 "
Total:	\$42,064,000,000	\$36,454,000,000	:\$5,610,000,000 net gain

From the above it appears that capital's net accumulated gain over its normal share of income amounted to \$5,610,000,000. The loss sustained by Labor amounts to a similar sum.

It also appears that capital gained approximately half its total during the period of inflation, the other half during the period of deflation. In other words, capital plays a game of "heads I win tails you lose".

If labor had received its fair share of the total income from mines, factories and land transportation during the years since 1913, it would have had five and a half billion dollars more to spend or save against the days of unemployment. Such a sum would have enabled labor to maintain a fair balance in relative bargaining power during the period of deflation. Instead, this sum went to profits and skill further distorted the balance, weighting it down in favor of capital.

Possible division of Money Income in Normal Year.

We have already stated our position, that payment to all workers of a living wage implies a change in the division of national income, a larger proportion going to the workers and a smaller proportion going to property. Until a perfectly possible degree of production is obtained, this will necessarily mean shrinkage in profits. The first question is then whether a practicable redivision of national income would make possible the payment of a living wage to all families.

Our study of the course of physical production, which appears as Appendix VII to my presentation, shows ^{that} the per capita production of goods for consumption has remained about constant since 1913. I am therefore going to take 1913 as a normal year and find out whether national income in that year would have provided a living wage if justly distributed.

According to the National Bureau of Economic research, already quoted, the total national income in 1913 amounted to about \$33,000,000,000. In round numbers there were about 19 million families living in the country in that year. If the entire national income were divided among these families the annual allowance to each would amount to about \$1700.

But at least 15% of the total national income is necessary to provide for upkeep and repairs to industrial plant, for new construction and for improved machinery. The deduction of this amount would leave each family of five with an income of about \$1500 a year. With the higher

prices prevailing today this would amount to about \$2400, or some \$300 less than I have shown to be necessary for the comfort of a family under present conditions. However, in contrast with this it will be interesting to note the actual division of national income in that year.

According to the Bureau of Economic Research, in 1913, 5% of the people secured 33% of the total national income. The Bureau estimates that in this year there were 1,144,000 persons receiving incomes of \$2000 per year or more, with an average income of \$7000. On the other hand there were 33,300,000 persons receiving less than \$2000 with an average income for this class of \$630.

Division of Value Produced in Certain Commodities.

Another way of approaching the problem would be to choose from the list of the country's products given in the Annual Statistical Abstract of the United States Department of Commerce, those commodities consumed by the average family. By dividing the total value produced in each case by the total number of families, we could get a rough estimate as to the amount of goods available. This would appear somewhat as follows: (The number of families according to the Census was 20,255,555):-

VALUE OF PRODUCE AVAILABLE PER FAMILY
1914

Food

Flour mill and grist mill products	\$43.23
Slaughtering and meat packing	82.60
Butter, Cheese and Condensed Milk.....	17.98
Canned Fruit and Vegetables.....	12.04
Sugar.....	4.02
Oleomargarine74
Coffee and Spice	7.44
Potatoes, Irish and Sweet.....	11.98
Other Vegetables.....	6.42
Fruits	12.00
Beans.....	1.29
Nuts.....	.22
Total	\$199.86

Clothing.

Boots and shoes.....	\$ 29.11
Rubber shoes.....	2.65
Men's Clothing, including shirts.....	24.24
Men's Furnishings.....	4.71
Women's clothing.....	23.55
Gloves, mittens, etc.....	1.07
Hats, caps, etc.....	4.03
Hosiery and knit goods.....	12.77
Woolen, worsted and felt goods.....	19.50
Cotton goods.....	34.60
Silk goods.....	12.51
Millinery and Lace.....	5.64
Corsets.....	2.00
Total.....	<u>\$176.18</u>

Fuel.

Anthracite.....	\$ 9.30
Bituminous (Est. 1/4 used domestic)....	6.00
Petroleum (Est. 1/4 " ")....	4.90
Natural Gas.....	4.62
Gas, illuminating and heating (Manf.)..	<u>10.90</u>
Total.....	<u>\$ 35.72</u>

Furniture, etc.

Carpets and Rugs.....	\$ 3.41
Furniture and Refrigerators.....	13.85
Silverware, and plated ware.....	1.89
Soap.....	6.32
Cutlery and Tools.....	2.94
Other house furnishings.....	<u>1.31</u>
Total.....	<u>\$ 29.72</u>

Grand Total of Items shown.....\$441.48

In the first place these are all producers' values. Perhaps 80% should be added to cover other costs and margins before the commodities reach the consumer. This is a conservative estimate. On this basis the listed items would

probably have reached the consumer in 1914 at a value of about \$759.50. In the second place it should be noted that many important items and services of a family budget could not be included for want of adequate data. Foods of major importance, such as fresh milk and eggs, etc. are not covered. There are probably enormous quantities of home grown vegetables not accounted for. In fact the census of such products is of very recent origin. The rent item, probably averaging at least \$240 per year does not appear. This, alone, would bring the allowance up to \$1000. Altogether, the commodities and services forming part of the average family budget produced in 1914 would probably total at least \$1200, an amount equivalent to something like \$1920 at present prices.

This tends to confirm the result of our analysis of the division of money income, which, applied to the families in the country would have allowed them to purchase about \$1220 worth of goods and services on the average of 1913. This is interesting in view of the fact that 1914 was a year of relatively low production. But it is of very much greater significance from the point of view of the influence of the purchasing power of the population on production.

"Business gives what the consumer asks". That is the good old apology of commercialism whenever the amount, distribution, or nature of its product is questioned. It goes with the old legend that the Newspapers furnish the people with the kind of reading they demand. Such statements bow to the fact that the real dictator in the community is the consumer. It is recognized as the consumer's right to decide how the productive

energy of the country shall be directed. But, by far the greater part of the population belongs in the low income group, made up of wage earners, small farmers, and small storekeepers. The purchasing power of this group is kept at the lowest possible level in the interest of commercial profits. Commercialism immediately capitalizes and over-capitalizes any demand of the consumer. The result is that the charges of commercialism curb that demand almost before it has been fully expressed. In other words, by severely depleting the purchasing power of the consumer, commercialism has practically usurped the dictatorship which consumers should exercise as the only practical balance wheel for national products.

The above analysis shows that the production of goods for family consumption is regulated by a very close margin to the spending power of the population. The absorption of all increases in productive power by commercialism constantly prevents the great body of the population from increasing its standard of living by producing more of the goods which it needs. Or to put the matter another way, the fact that all purchasing power in excess of the barest demands of subsistence is diverted to the pockets of a very small class in the community means that this excess purchasing power creates a demand for the production of goods other than those which homely family life requires. The production of these necessary goods and comforts barely increases with the growth of population, while the production of luxuries, display, munitions of commercial war, and menial services increases by leaps and bounds. The basic political right of the entire population to determine the ends to which the productive resources of the country shall be used is thus usurped by less than 1% of the population. It is not shared equally among the 1%. Government of the essential activities of the country is given to men in proportion to the amount of their spending power. The analysis of income tax returns which I have

already referred to shows the number of votes as to how much of each commodity the country shall produce which is possessed by each individual in the various classes.

If we were to suppose that every thousand dollars which a man has to spend gives him one vote, we would find that in 1918 there were approximately 35,000,000 individuals with a single vote at one end of the scale and 67 individuals with an average of 2000 votes apiece at the other end of the scale. A group of 4,499 individuals in 1918 shared between them 990,000 votes as to how the nation's productive power should be utilized. This shows clearly the unequal distribution of the consumer's right to determine what the nation shall produce.

This naturally leads to directing the productive power of the nation to the things which serve the rivalries and fights in which this small group are chiefly interested.

As a larger and larger proportion of the nation's spending power is diverted to serve the interests of this small group the tendency is to an increasing extent to utilize the nation's resources for these purposes to the exclusion of the increase of the goods which all families can use and enjoy.

Industrial workers, along with the farmers, are engaged in producing a living wage for themselves. We can see no other purpose in industry and agricultural activity than the production of at least a living wage for the productive members of the community. For this reason the question as we see it is not whether in 1913, or 1914, or 1918, or 1920 this country produced enough food and clothing and fuel and light and shelter to guarantee to every family a living wage. It is obvious to us from our exhaustive study that it does not pay a living wage, that it does not produce all the essentials of a comfortable life that are needed, that it has no present intention of attempting to pay a living wage. Our question is then to find out whether it has the facilities and productive power capable of producing an ample living for all, and if so, how these facilities and this productive power are diverted to the production of non-essentials or misused or inefficiently utilized, with a view to setting about the correction of these evils, for they are certainly evils of the first magnitude.

The tendency which I have shown to have existed during the recent inflation and deflation period have been operating for at least half a century in this country. Its results are now becoming so obvious that we cannot fail to notice them. They may be briefly summarized as:

(1) Failure of the wage-earners and farmers to share in the results of the country's increased productive power.

(2) Actual decline in the real wages received by industrial workers and a steady increase in tenant farming

and farm mortgages.

(3) Increasing diversion of the country's productive power into lines of production and service which the healthy family does not need, does not share, and has no real desire for.

(4) Resulting failure to make steady, effective use of the country's productive plant, thus further reducing the quantity of essentials available for distribution.

I wish briefly to consider these four important tendencies which determine the amount of wages upon which industrial workers can count.

Decline in Real Wages since 1890.

One of the boasts of America in the past has been "the American Standard of Living." Today we hear less about it. More often we hear representatives of the big corporations expressing the fear that the "American standard of living" will prevent profitable competition with the cheap labor of Germany and Japan. If so, under present business rules, the "American standard" will go. As a matter of fact it has been going for over twenty years. If the standard of living enjoyed by the average American workers in the 90s were anything to boast of, - and I am not going to say that it was - that standard of living has become history, almost a myth.

It is unquestionably true that during the generation following the civil war there was a tendency for the standard of living of the wage earner to improve. That does not seem to have been due to any magnanimity on the part of American capital, but to the fact that during that

period free land in the West was absorbing men at a sufficient rate to prevent there developing any steady surplus of labor. But since the opening of the 20th century there has been little opportunity of this kind. The land has been almost entirely engrossed by large landowners. The result has been a steady increase in the army of the unemployed and a steady decrease in the real wages of the American Workers. The surplus of labor has been constantly augmented by immigration from lands where the standard of living was even lower. Thus the big corporations from their beginning about 1900 have had great pools of labor power from which to dip the amount they needed.

The following table shows the course of earnings for a full time week over the period 1890 to 1921 in ten industries for which U. S. Department of Labor data is available. The original work on this problem was done by Dr. I.M. Rubinow and published in the American Economic Review of Dec. 1914. He carried the study down to 1912, including 15 industries in his survey, namely woolen goods, cotton goods, boots and shoes, millwork, furniture, lumber, silk goods, bakers, foundry and machine shops, marble and stone cutters, building trades, car building, knitted goods, book and job printing, and newspaper printing. In extending this work to 1918, Mr. Paul H. Douglas of the University of Chicago found the full information was available for only 10 of these industries, but a comparison between the group of ten and the group of 15 over the preceding period showed such a slight variation that the average of the 10 can be taken as indicating the course of industrial wages, which, as I have pointed out, tend to stick pretty close to the subsistence level.

In the case of 7 out of the 10 industries the hourly rates used are the accepted union scales. In the case of the other three industries payroll earnings are used.

The method by which the table was constructed was to multiply the relative hourly rates by the relative full time hours per week in each year. The result shows the relative full time weekly earnings in each industry. These are combined to show the average full time weekly earnings for industry as a whole in each year. Finally this set of index numbers is combined with the index numbers showing changes in the retail prices of food. This affords a very fair index of the changes in purchasing power of a full weeks earnings in industry. The base used is the average for the years 1890 - 99.

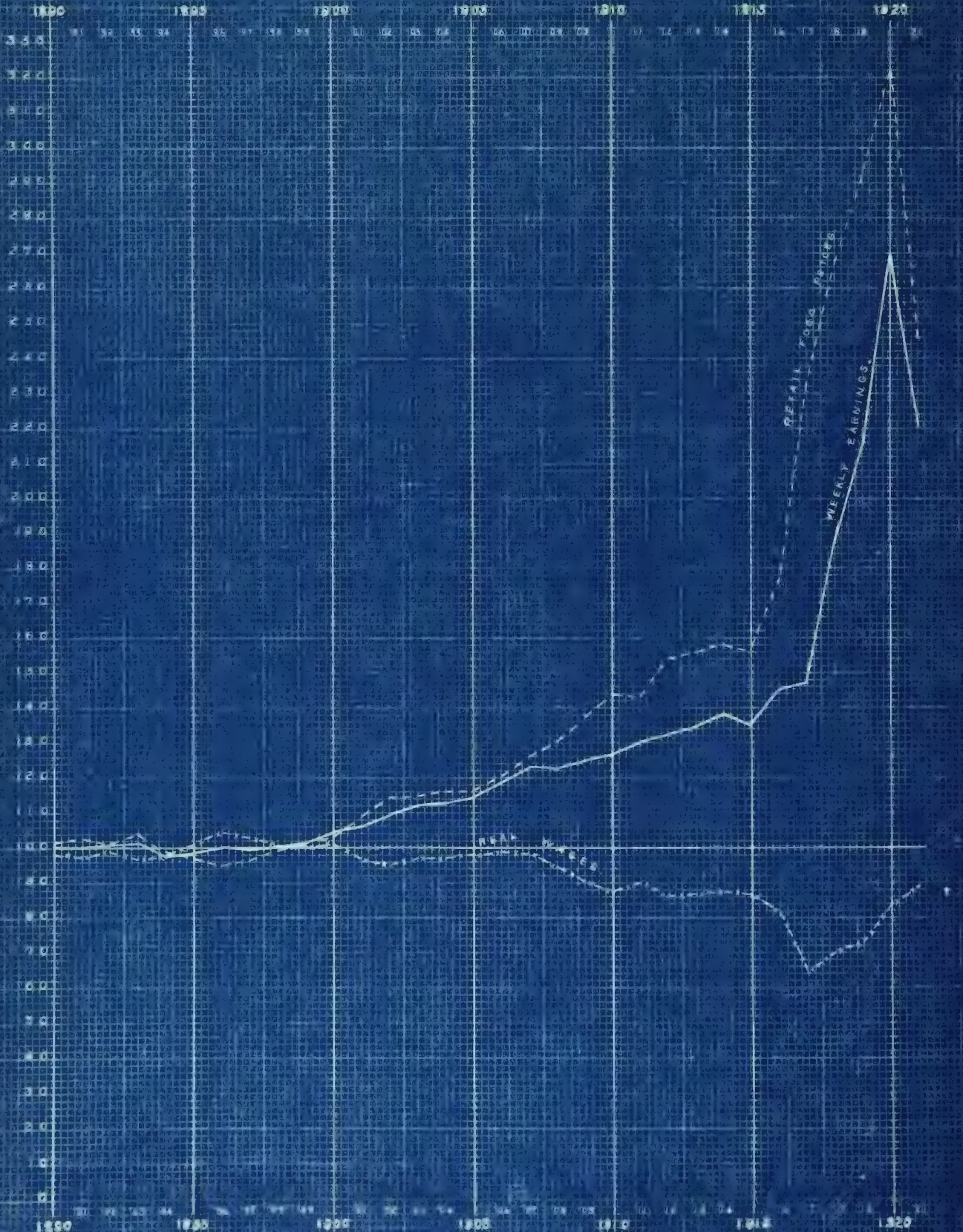
From 1918 down to the present the increases are estimated on the basis of the increases in payroll earnings since that date as reported to the N. Y. State Industrial Commission and the U. S. Department of Labor.

The table is presented as merely showing a general tendency.

REAL WAGES IN OUTSIDE INDUSTRY

1890-1920

AVERAGE 1890 = 1895 = 1915 = 100



REAL WAGES IN OUTSIDE INDUSTRY.
1890 to 1920.
(Average 1890-1899 equals 100)

Year	Weekly Earnings	Retail Food prices.	Real Wages.
1890	100.3	101.9	98.4
1891	100.1	103.4	96.8
1892	100.9	101.6	99.3
1893	101.4	104.1	97.5
1894	97.9	99.2	98.7
1895	98.3	97.1	101.2
1896	99.9	95.2	104.6
1897	99.7	96.7	103.2
1898	100.2	99.7	100.5
1899	101.1	100.8	100.3
1900	104.6	103.0	101.6
1901	105.9	108.5	97.6
1902	109.0	114.6	95.1
1903	112.1	114.7	97.6
1904	112.6	116.2	96.9
1905	114.4	116.4	98.3
1906	118.6	120.3	98.6
1907	123.7	125.9	98.2
1908	123.1	130.1	94.6
1909	124.4	137.2	90.7
1910	126.5	144.1	87.8
1911	128.9	143.0	90.1
1912	132.6	154.2	85.9
1913	135.2	155.7	86.8
1914	137.9	158.5	87.0
1915	135.5	156.5	86.6
1916	144.8	177.6	80.8
1917	146.9	233.4	64.0
1918	187.7	266.6	70.4
1919	215.9	293.0	73.7
1920	269.5	321.8	83.7
1921 (Oct.)	220.7	246.3	89.6

11.

17.

You will note that in 1914 and 1915, the years generally chosen as a base for comparing war increases in wages with the increasing cost of living, full time weekly earnings had fallen by about 13% in purchasing power as contrasted with the last ten years of the 19th century. In other words the worker's standard of living was lower than in the years 1890 to 1899. You will note further that during the period of rapidly mounting wholesale prices, which I have described at length, the purchasing power of the wage-earner as the result of his regular working week, continued to decline, reaching in 1917 a low point of 64% of his previous standard.

In this connection I want to state that I am not discussing the full annual earnings of wage earners. The increased regularity of work, the increased amount of overtime, all these tended to compensate for the shabbiness of the earnings for the regular week. Overtime and unusual number of working days per year explain the estimated course of the purchasing power of annual earnings in industry prepared by Mr. King in connection with the recently published "The Income of the United States" of the National Bureau of Economic Research. His estimates cover the period 1909 to 1918, and his index numbers for Purchasing Power of Annual Earnings for All Industries run as follows:

1909	90.7
1910	92.8
1911	91.1
1912	96.3
1913	100.0
1914	92.4
1915	93.6
1916	104.4
1917	103.0
1918	94.3

The bettered condition of the wage earners during the inflation years shown in this table, was entirely due to the increased regularity of work together with overtime. It cannot be counted as a mark of the increasing justice of the wage rates of industrial labor. It simply meant that temporarily there was a job for everyone. The workers have found in the last year and a half how temporary was that security in a job. We are back in the old days of only partial employment, with little if any overtime. It has always been recognized that the possible earnings for the standard period of work can be the only measure of the relative adequacy of wages.

13.

17.

Increased Farm Mortgages and Tenant Farming.

There is ample evidence that the agricultural producer has suffered in very much the same way. This appears in the steady increase in the number of farms mortgaged, in the percentage of total farm value mortgaged, in the increasing proportion of tenant farmers. The percent of owned farms mortgaged appears in the following table:

Growth in Percent of Owned Farms Mortgaged
(From Report of Joint Commission of Agricultural Inquiry)

<u>Year</u>	<u>Percent Mortgaged</u>
1890.....	28.2%
1900.....	31.0
1910.....	33.6
1920.....	41.3

The enormous burden of these mortgages will appear from the following table showing the total amount of mortgages on farms entirely operated by their owners.

Amount of Mortgage on Farms Operated
by Owners.

(From Report of Joint Commission of Agricultural Inquiry)

<u>Year</u>	<u>Total Amount .</u>
1890.....	\$1,085,995,960
1910.....	1,726,172,851
1920.....	4,612,711,215

In 1920 the average interest on this mortgage was at the rate of 6.1%. Here is an interest burden of nearly a quarter of a billion dollars a year. According to the Report from which these figures are taken:

"These are the totals for the farms operated in their entirety by their owners. Assuming that all other farms are mortgaged at the same rate, the total mortgage debt in 1910 would have been \$3,598,825,000 and in 1920 about \$8,663,000,000."

In addition to this large interest charge, rent is another important factor tending more and more to reduce the actual goods which the farmer receives in exchange for his product. The increased proportion of tenant farming appears in the following table from the Joint Commission of Agricultural Inquiry:

Proportion of Farms in the U. S. Operated by	
<u>Years</u>	<u>Tenants.</u> <u>Percent of Total Farms</u>
1880	25.6%
1890	28.4
1900	35.3
1910	37.0
1920	38.0

Between 1910 and 1920 the farm acreage in the U. S. increased by 8.7%, but the number of acres farmed by tenants increased by 17.1%, or nearly twice as rapidly. In this connection it is interesting to note that the value of farms operated by tenants tends to increase more rapidly than the value of farms farmed by owners. This is merely an indication of the way in which the landlord increases the rent to absorb all the increases which may come through increased demand and price of product. The following table shows the relative increase in the value of owned and tenant farms:

Value of Farms in the U. S. by Tenure.

<u>Year</u>	<u>Value of Land and Buildings, Farms Operated</u>	
	<u>By Owner</u>	<u>By Tenants.</u>
1900	\$13,753,055,102	\$ 5,628,900,354
1910	26,669,634,373	12,621,189,781
1920	39,874,303,566	23,793,984,605

This means that in the 20 year period the value of farm

property farmed by owners increased by about 190% while the value of farm property farmed by tenants increased by over 320%. During the last ten years the increase in the value of farms operated by owners amounted to 49%, while during the same period the value of rented farms rose to the extent of 88%.

Six per cent as the rent upon these tenant farms would have amounted in 1920 to something over \$1,425,000,000. Altogether, interest and rent must absorb close to \$2,000,000,000 out of the farmer's income from his crops. To that extent his purchasing power is being curtailed.

As a matter of fact this growth of farm mortgages and tenant farming is only an indication of the extent to which commercialism is absorbing the farmer's share of national income. It shows the result of the pressure which comes from the weight of middle men, food products, capitalists and others engaged in the fight for profits, all of whom cut down the return in goods which the farmer receives in exchange for his services. The operation of the present system hurts the farmer in two ways; first, it directly absorbs part of his product for which it renders no exchange; second, it depresses his market by curtailing the purchasing power of the great body of consumers whose purchasing power is insufficient to secure necessities.

The whole situation is tied together. All producers are suffering from the same complaint. And their condition cannot be improved without reversing the tendencies which have brought about the present situation.

Excessive Proportion of National Income Diverted to Encouragement of Socially Valueless Expenditure of Effort.

Study of the census reports leads to the conviction that commercialism is diverting an excessive proportion of national productive effort away from the production of necessities of life into wasteful and unproductive channels. As I have already pointed out, this is the inevitable result of making the battle for profits the socially approved and rewarded occupation. If a country makes the fighter who can defeat the greatest number of other fighters in single combat the hero, then the people of that country will be engaged in making armour and serving these fighters to the exclusion of growing more food and making more comforts for their own enjoyment. The same thing holds true when a country says that the hero is the man who wins in the fight for profits. The result will be that thousands will be engaged in fighting for profits, in serving those who fight for profits, in acquiring the skill necessary to become a fighter for profit, in making the weapons, and luxuries, and adornments which these profit heroes will require. Gradually, too, the profit noblemen will gather around themselves a host of profit men-at-arms all of whom will have to be armed. So gradually the fight for profits will absorb a great part of that productive power of the country which should be engaged in producing the necessities and comforts of the great body of citizens.

Mr. Sidney Reeve, in his recently published book on the Economic History of America, "Modern Economic Tendencies", has very aptly described this group of fighters for profit as "the commercially combative" class. He has separated the occupations chiefly engaged in this fight for profits or commercial combat

from those occupations which are actually productive of commodities for the life of the people, and has then made an elaborate study of the census figures to find the relative growth of these two groups.

Now, no one will deny that there are certain jobs in connection with the distribution of the products to the people which are not strictly productive but which are none the less essential. It is not the existence of these other occupations which Mr. Reeve questions, so much as it is the growth of this group out of all proportion to the rest of the population. He finds that in 1850 \$27.35 out of a total per capita expenditure of \$138.03, or about 20% of the total expenditure, went for the salaries and wages of those engaged in commercial activities and in interest and dividends; whereas in 1920 approximately \$229.00 out of a total per capita expenditure of \$454.00, or more than 50% of the total expenditure was diverted to the group entirely engaged either in the commercial fight for profits or to the group which simply absorbs through dividends and interest.

I have asked that Mr. Reeve's tables be included in the Appendix VIII to my argument and wish to call attention to the nature of the facts which he has developed. He is, himself, an engineer, and as such, naturally interested in seeing the plant of the country effectively used for the only end which can justify its existence.

All may not agree on Mr. Reeve's groupings. But, on the whole, the broad tendencies shown cannot be contradicted. After taking out the occupations actually engaged in production or the direction of production and transportation he proceeds to classify as primarily engaged in commercial combat - that is, in markets, ownership, price and property - such occupations as agents, bankers and stock-brokers, commercial travelers, manufacturers and officials of banks and other companies. In addition he classifies as engaged in the production of what might be called the munitions of this commercial warfare such occupations as book-keepers, accountants, the makers of typewriters, cash registers, calculating machines, blank books, fancy paper boxes, and the like. He also includes the mercantile pursuits. Finally he groups together a large number of occupations chiefly engaged in producing the non-essentials, luxuries and services chiefly patronized by those with some unearned income to spend.

Now, as I have pointed out, there will undoubtedly be found a certain proportion of the majority of these occupations which most of us would consider necessary. But the point is that the proportion to the total population necessary in 1850 or 1860 would probably do today. It is improbable that we need 774 bankers and stock-brokers per million of the population today when we only needed 135 per million in 1850. A 1600% increase in the proportion of Commercial travelers seems a little excessive.

Mr. Reeve shows the steady increase in the proportion of this group ^{engaged} in commercially combative occupations to the total population as follows:

Percent of Population Engaged in Productive
and Commercially Combative Occupations.

Year	Percent of Population.		
	Gainfully Occupied	In Productive Pursuits	In Commercial Pursuits.
1850	29.2	27.3	1.9
1860	31.7	29.2	2.5
1870	32.5	29.2	3.3
1880	34.7	30.6	4.1
1890	36.1	30.4	5.7
1900	38.3	31.4	6.9
1910	41.5	32.3	9.2

This table, according to Mr. Reeve, fails to take account of two important factors - (1) The fact that a certain proportion of our productive population, originally escaping enumeration because employed at home or on the farm, has steadily drifted into the enumerated occupations. (2) The fact that an increasing percentage of productive workers is being diverted to the service of commercialism, that is, to the building of banks, the production and transportation of materials for advertising, sales offices and the like. Introducing allowances for these two factors Mr. Reeve modifies the above summary so that the distribution appears as follows:

Percent of Population Engaged In Productive
and Commercially Combative Occupations.

Year	Percent of Population.		
	Engaged in work of So- ciety.	Engaged in production of necessities & comforts.	Engaged in Commercial Combat.
1850	43.5	41.7	1.8
1860	43.5	41.1	2.4
1870	43.5	40.1	3.4
1880	43.5	39.1	4.4
1890	43.5	37.1	6.4
1900	43.5	35.4	8.1
1910	43.5	31.6	11.9

From this table, which is based upon census figures, it appears that the productive proportion of our population has actually decreased by about 24%, while the proportion diverted to commercially combative ends is today nearly $5\frac{1}{2}$ times as large as it was in 1850.

But the percentage of the consumer's purchasing power going to support this increasing percentage of commercialism is far larger than the above table would indicate. This is due to the fact that the commercial classes, including agents, brokers, commercial travelers, bankers, etc., command a higher average salary than do the productive workers. On the basis of carefully worked out figures as to salaries and wages, Mr. Reeve shows the following as the dollars paid by the ultimate consumer for productive work and for commercially combative work each year:

Dollars Spent by Consumer for Various Services.

Year	Total Expenditure.	Productive	Commercially Combative.
1850	\$ 119.55	\$ 110.68	\$ 8.87
1860	146.44	133.23	13.21
1870	159.19	141.51	17.58
1880	176.60	153.69	22.91
1890	196.35	163.65	32.70
1900	213.52	169.92	43.60
1910	260.77	197.47	63.30

This means that whereas in 1850 the consumer procured productive service with over 92 $\frac{1}{2}$ % of the money which he spent for service in 1910 he received productive service for only about 76% of his expenditure for service, the remainder going to pay an accumulating crowd of people serving the interests of those fighting for profit.

But these figures fail to take any account of interest, dividends and other profits, the tribute exacted by those who succeed in the commercial combat. Estimating these at 6% on the national wealth he arrives at the following figures showing the steady dilution of the consumer's purchasing power

as the result of our present business system.

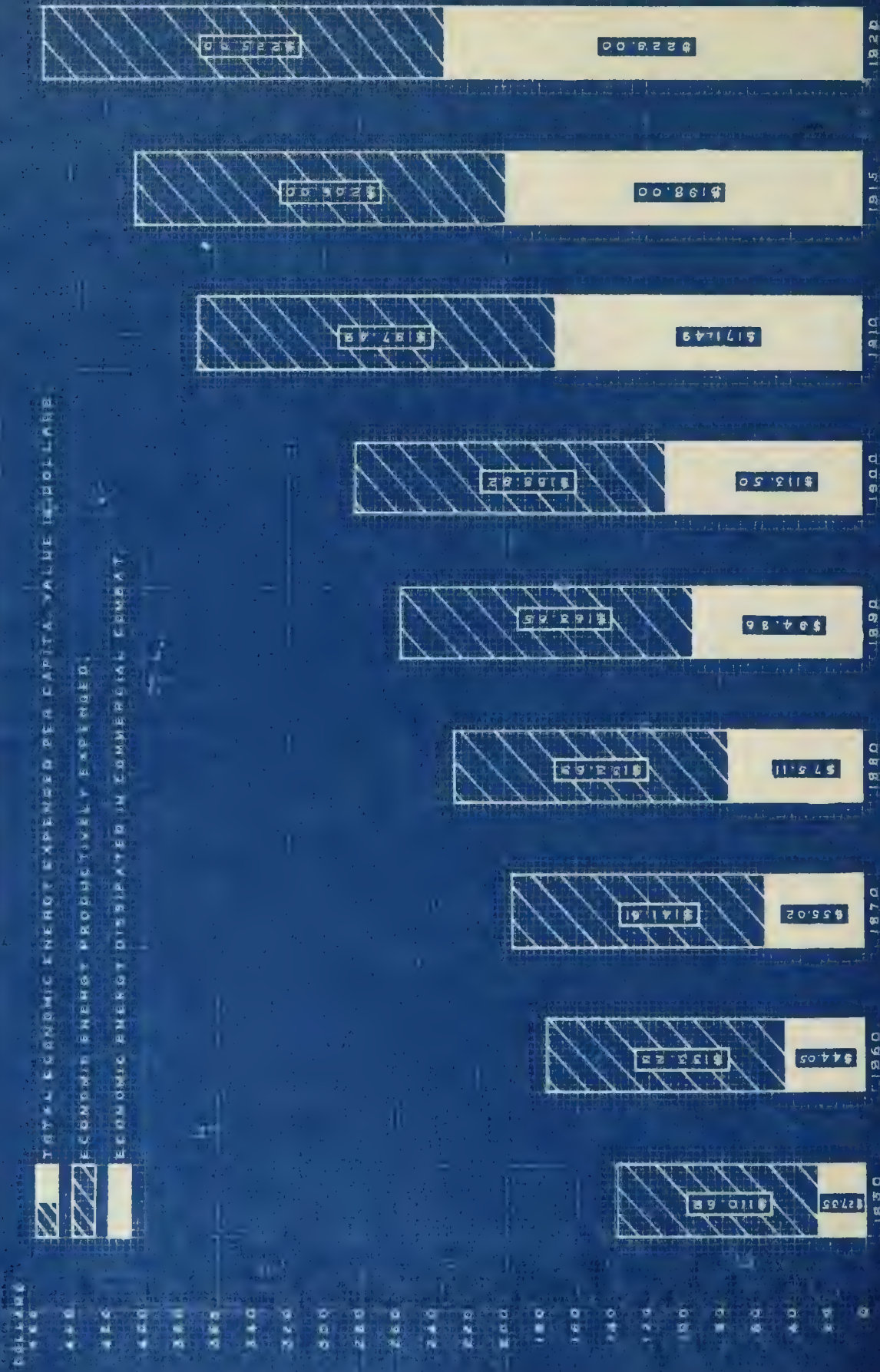
Dollars Per Capita Spent by
Population Per Annum.

Year	For Production	Commercially Combative Wages and Salaries	Interest, Dividends, Etc.	Total.
1850	\$ 110.68	\$ 8.87	\$ 18.48	\$ 138.03
1860	133.23	13.21	30.84	177.28
1870	141.61	17.58	37.44	196.63
1880	153.69	22.91	52.20	228.80
1890	163.65	32.70	62.16	258.51
1900	169.92	43.60	69.90	283.42
1910	197.47	63.30	108.18	368.95
1915	* 206.00	70.50	127.50	* 404.00
1920	* 225.00	* 82.00	* 147.00	* 454.00

* Estimated by Mr. Reeve.

According to Mr. Reeve, the column of totals represents the total energy of the people available for industrial and commercial activity, stated on a per capita basis. The rapidly increasing share of this energy absorbed and used for its own purposes by the commercially combative group appears to Mr. Reeve as a dissipation of that energy which should be used to produce the necessities and comforts which the consumer should find available if his life is to be healthy and happy. Looking at it from another angle, Mr. Reeve talks about the dilution of the consumer's dollar. It only brings him about 50 cents worth of goods and services.

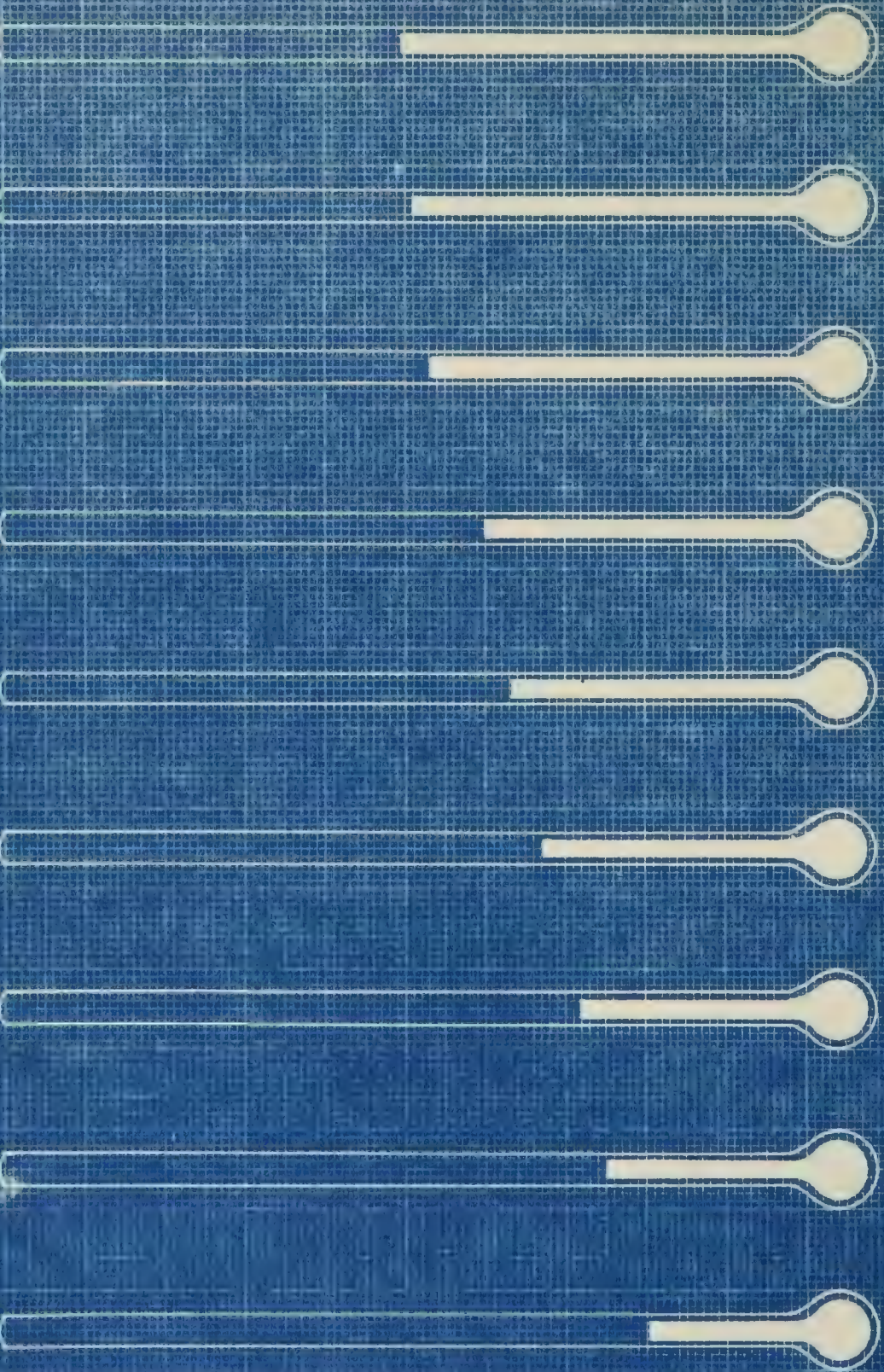
DISSIPATION OF ECONOMIC ENERGY IN UNITED STATES 1850 - 1920 GROWTH OF COMMERCIAL CANCER ON BODY OF NATION



The tendency in the table is graphically shown in the accompanying chart. Note that although the column representing the economic energy expended per capita of the population is three and a half times as high in 1920 as in 1850, the part of the column representing the dollars worth of economic energy expended in providing the necessities of family life is only about twice as high. The part of the column showing the amount of this economic energy dissipated by commercialism is, however, over eight times as high. The relative amounts of economic energy expended for production and for commercialism are shown in the following table:

Year	Percentage of Economic Energy directed to	
	Production of Necessities	Commercial Combat
1850	80.2%	19.8%
1860	75.1	24.8
1870	72.0	28.0
1880	67.2	32.8
1890	63.3	36.7
1900	59.9	40.1
1910	53.5	46.5
1915	51.0	49.0
1920	49.6	50.4

The startling fact brought out in this table is shown semi-pictorially in the two accompanying charts. The first represents each year by a thermometer. The rising column of mercury in the tube indicates the rise of the fever of commercialism. If we think of the country as a patient it will certainly be apparent that the degree of fever is rapidly approaching a critical stage. This fever means a slow wasting away as the life-giving energy



SPECIAL WEATHER FORECAST

HEAT OR COOLING
AS COMFORTABLE
STORMY WEATHER

BAROMETER

WIND DIRECTION

WIND SPEED

WIND DIRECTION

WIND SPEED

1950

1949

1948

1947

1946

1945

1944

1943



is gradually more and more completely burned out in the fever. Today the body of the country is only nourished by one-half of the results of its expenditure of economic energy. Do you think that this tendency can be allowed to continue?

The other of the charts represents each year by what might be called a social weather barometer. The column of mercury represents the percentage of the country's energy expended for the providing of the essentials of life to the population. As the country goes farther and farther into the low pressure area of commercialism, the barometer falls. No one who is in touch with the situation can fail to be aware of the fact that the social weather is today unsettled. What it will be tomorrow if the barometer continues to fall is plain reading for any man.

" The tendency shown in these charts must be stopped, it must be reversed. The forces which have determined the purchasing power of the great masses of the people yesterday and which are trying to reassert themselves today must be replaced by a new purpose. Recent reports covering the census of occupations in New York State show how rapidly the emphasis on commercial combat is diverting the population from productive pursuits into the retinue of those engaged in the fight for profits. In the following tables will be found the changes in various groups of occupations between 1910 and 1920.

(a) Number Engaged in Agricultural Production
(N. Y. State)

<u>Occupations</u>	<u>1910</u>	<u>1920</u>
Dairy farmers	18,839	33,851
General Farmers	165,517	135,632
Farm Laborers.....	148,979	88,805
Gardners, Fruit growers, etc.....	10,802	10,516
Total.....	334,137	268,804

Decrease 1910 to 1920 20%

(b) Number of Wage-earners Engaged in Production
(N. Y. State)

<u>Occupations</u>	<u>1910</u>	<u>1920</u>
Blacksmiths	22,120	17,749
Machinists, etc.....	66,366	112,133
Molders, etc.....	14,381	12,818
Electricians	25,211	37,089
Plumbers, Steamfitters, etc....	30,730	33,384
Carpenters.....	93,547	92,304
Brick & Stone Masons..	28,306	19,676
Painters.....	46,738	41,399
Stationary Engineers	28,471	29,687
Tailors.....	68,986	62,732
Dressmakers	69,171	38,016
Suit, Coat, Cloak & Overall makers.....	****	66,035
Shirt, Collar & Cuff	****	23,438
Knitting Mills	****	23,234
Laborers (Industrial)	89,815	51,310
Shoemakers	30,334	41,881
Milliners	21,235	16,748
Cigar & Tobacco Facty.	26,120	19,084
Total.....	661,631	738,717

Increase 1910 to 1920 12%

(c) Number Engaged in Commercial Combat.
(N. Y. State)

<u>Occupations</u>	<u>1910</u>	<u>1920</u>
Agents, Canvassers & Collectors.....	13,487	24,447
Bankers, Brokers & Money-lenders.....	14,903	21,293
Book-keepers, Cashiers & Accountants.....	84,189	121,663
Clerks, except store....	146,769	285,436
Clerks, store.....	65,506	58,045
Commercial Travellers...	20,406	18,814
Insurance Agents & Officials.....	13,843	19,266
Lawyers, Judges, Justices.	17,371	18,473
Real Estate Agents.....	17,429	18,216
Retail Dealers.....	180,151	191,303
Salesmen & Saleswomen...	140,049	169,837
Stenographers & Typists.	58,522	113,544
Wholesale dealers, etc..	10,869	19,604
Total.....	783,494	1,079,941

Increase 1910 to 1920.....38%

(d) Overhead + Planning, Designing & Management
(N. Y. State)

<u>Occupations</u>	<u>1910</u>	<u>1920</u>
Civil Engineers & Surveyors	7,499	8,842
Designers, Draftsmen, etc.,	10,690	14,942
Foremen & Overseers.....	25,669	40,246
Managers, Sup'ts. etc.....	14,983	15,084
Manufacturers & Officials..	54,168	52,877
Total.....	113,009	135,991

Percent Increase 1910 to 1920 20%.

Comparison between the changes in the number of productive wage earners employed and the changes in the number of persons engaged directly or indirectly in the commercial combat presents a striking confirmation of the analysis of Mr. Reeve. Evidently the tendency to divert human energy to the uses of commercialism is proceeding very rapidly. Productive labor in agricultural production decreased 20%, productive labor in industry increased by barely 12%. But the number of human beings broadly classed as men at arms and retinue in the commercial fight for profits increased by 38%, over three times as big an increase as that in the case of productive industrial workers.

The increase in the number of persons engaged by the commercial capitalists to supervise the industrial workers is also striking. They increased nearly twice as rapidly as the workers whom they supervise. Note that the number of foremen and overseers increased by nearly 60% in the space of ten years, during which the workers to be supervised increased by only 12%, less than a fifth as rapidly. Surely the tendency which I am trying to picture is becoming more and more obvious. It takes no magnifying glass of the statistician to discover it today.

I am interested merely in showing a tendency which is bound to result so long as the first aim of industry is other than the payment of a living wage to the workers. Purchasing power is the directing force in the nation's economic activity. If the purchasing power of the common people is emphasized, then the voice of purchasing power will order the production of enough of the necessities and

comforts of life to provide for all. If the tendency is to magnify the purchasing power of the successful fighter for profits, then that purchasing power will order that as large a portion of the people as possible be utilized in the successful fight for profits or in the provision of splendour and luxury and display for the conquerors.

" We have come to the point today where half what the consumer spends goes to pay not for goods but for bankers and brokers and advertisers and commercial travelers and salesmen and lawyers and accountants and book keepers to the rearing of banks and chewing gum skyscrapers, to the manufacture of cash registers and other devices to make sure that the warrior gets all of the booty and to the support of an enormous retinue of servants, and hangs on to those who have in one degree or another succeeded in the fight for profits. Professor Veblen of the New School for Social Research in New York estimates the entire advertising bill of the country at something like \$2,000,000,000 a year.

32 Do people realize that about \$20 per capita, or \$90 per family, which they think is being spent for essentials is really going to pay for the attempt of one profit warrior to defeat another?

The problem of wage adjustment today is a problem of taking steps in the direction of reversing this tendency. It must aim to give the great body of consumers sufficient purchasing power to enable them to direct that the productive energy of the country be redirected to the primary purpose of providing necessities. But the mere awarding of such purchasing power will not be enough. Those in control

17.

of prices can readily defeat any attempt along such lines, and they are the ones engaged in the fight for profits. Such a decision to have any real effect must direct the attention of all consumers to the fundamental problem in order that the pressure of consumers may be organized to prevent further misuse of the system.

THE COUNTRY CAN PRODUCE A LIVING WAGE.

In the preceding parts of my presentation I have attempted to describe the forces which determine the way in which the national income is divided and the actual division which results. The wage problem is fundamentally a problem of the wisest division of national income. We cannot escape the conclusion that the purpose which at present actuates industrial activity results in a virtual refusal to pay a living wage. Proceeding further I considered the effect of this refusal upon the way in which the country's productive energy is utilized. Our conclusion was that it discouraged the production of sufficient quantities of the essentials of family life and diverted productive activity into channels from which the majority of the people derive no real benefit.

The employees of industry are investing their lives in order that the industrious activity of the entire people may produce enough food, clothing, housing, fuel, furniture, comforts and pleasures to afford each family a full life. This naturally leads to the final question whether the country could produce the essentials of a living wage if this natural desire of the common people should become the determining voice as to the use of the nation's productive power.

With this in mind I have asked two economists to prepare a brief survey of the physical resources and production of the United States to see whether America, if operated on some other basis than the fight for profits,

could make good the ~~shortcomings in the~~ shortcomings in the supply of essentials. From the results of that study I am convinced that if the productive power of America were coordinated and directed primarily to the production of the necessities of life, the result would be a full life for all far above anything which we are today asking or talking about as a living wage. I should like to point out a few of the results of that study, which is presented in full in Appendix VII.

What Has Been Achieved.

The war brought this country face to face with the problem of using its plant as effectively as possible. To most people with a professional interest in production the result suggested the thought that modern business principles do not make for such efficient and economical production as the country needs in an emergency. The War was half over before the country got itself untangled from business and sufficiently coordinated for production to show any results. Probably this was the cause of engineers getting together, after the machine had been turned back to business, to study the problem.

As a matter of fact, however, certain interesting facts as to increased production during the war are available. These are summarized in the index numbers showing the course of production appearing in Table I, Appendix VII.

So far as mining and manufacture are concerned, these figures prove conclusively that, given the motive, the country can quite largely increase the percapita production of mines and factories. The mines raised production to a high point in 1918, 23% above the 1913 level. As the population had only

increased about 6%, a very considerable increase in percapita production is apparent. Manufacturing had increased production to a high point of 117 in 1916, and maintained it at a level 15% above the 1913 base during the two following years, despite the withdrawal of some millions of men for the army. During these three years the average population was only 5% above that of 1913. Here again there was a very material increase in percapita production. However, when we consider how important the emergency was considered, the smallness of the increase in production is certainly worthy of remark. Engineers were extremely dissatisfied, but the shortness of the time gave them no time in which to displace those who had always run industry because they were experts in commercial combat. The only method of increasing production known to these big business men was more capital and increased plant.

Agricultural production is somewhat less subject to the immediate improvement which is possible in the sort of production which is independent of weather conditions. The index numbers following agricultural production show two high points, 116 in 1915 referred to 1913 as base, when population had only increased by about 2% and 117 in 1920, when the population was 10% larger than in 1913. In general the heavy demands of the nations engaged in war seem to have resulted in a slow increase in the percapita production of food stuffs. The index of agricultural production is influenced to a considerable extent by the decrease in cotton production following the slowing down in the consumption of the English mills.

The percapita production of important foods had been slowly declining during the years just preceding the war,

seemingly in response to the decreasing demand as real wages decreased. This tendency was turned by the war demands. The heaviest export demands appear to have been for pork, beef, dairy products, and wheat. All these answered the demand by a gradual increase in production as shown in the following brief table showing index numbers of percapita production on the basis of the average for 1909-13 as 100:

INDEX OF PERCAPITA PRODUCTION.

(Report of Joint Commission of Agricultural Inquiry)

<u>Year</u>	<u>Hogs</u>	<u>Cattle</u>	<u>Milk Cows</u>	<u>Wheat</u>
1913	97	86	96	108
1914	92	84	95	125
1915	100	86	96	141
1916	104	91	99	86
1917	102	94	101	85
1918	106	98	101	122
1919	109	99	101	122
1920	104	96	100	101
1921	96	..	99	...

Although this is not altogether convincing, it still appears that there was a tendency to plant more wheat and raise more livestock, which came to an end when the war demands gave place to the usual demands of an underpaid population.

Taking production as a whole, the index number in Table I of Exhibit VII to which I am referring shows that barring other drains the percapita supply of goods was 8% higher in 1917 than it was in 1913 and $4\frac{1}{2}\%$ larger in 1920. Taking the period 1915 to 1920 inclusive as a unit the average production was evidently 11% above the 1913 level while the average population was only 6% above. If this increased production had been in the field of family consumption and if it had not been diverted to other ends, the standard of living during this six year period might have been nearly 5% better than that prevailing in 1913. Two of these years were years in which man-power had been drained off to the army. Evidently there is something to be learned from this period as to the possibilities of long time coordination of the facilities of the country with no end other than production.

Lack of Coordination to Real End Apparent in 1920-21.

This table shows that production fell off after 1920 until within a year per capita production reached a level 17% below that of 1913. This happened in spite of the fact that the needs of the people were far from satisfied. This looks on the face of it like a very inefficient way to handle the country's

productive resources. The situation has been currently explained as the result of over-pruduction. But with the majority of people unable to secure enough of the necessities of life it would appear idiotic to contend that too much of these necessities had been produced and that, as a result, the country could afford to sit back and take its ease because its storehouses and barns were full to overflowing. If these barns and storehouses were full to overflowing it was obviously due to under-consumption.

If we look at Table 5 in the Appemdix which I am discussing we find that there was certainly no excess of homes on hand. Every ounce of surplus energy could have gone into the production of homes and the material for building homes without in the least running the risk of overproduction for some time to come. During the entire period 1915 to 1921 less than one half as many homes were built as were needed. Evidently the consumer's real needs do not create a demand in business. That natural demand can be curbed by prices which lock out the consumer. I have already called attention to the fact that wholesale prices of building materials increased in 1920 to a point more than 100% ~~above~~ the increase in wages paid. If there was an over-production in building it was over-production of business buildings, and this, as I have shown, is the natural result of the organization of society for the purposes of commercial combat instead of to pay a living wage. The purpose of the fighters fpr profit called for the construc-

tion of more than 700% more business buildings for three years running, 1918 to 1920, than were constructed in 1913, and that demand was made good, while the demand for homes was allowed to go less than half answered, the actual construction of homes during the three years following the war being less by 13% than the inadequate production of homes in 1915. The productive power of society is being diverted to unnecessary ends because the purchasing power of the community is getting more and more distorted and out of balance. The balance has got to be restored. A far greater proportion of the purchasing power must be restored to those who will create a homely demand for the necessities of life. That demand will call back machine power and labor power to the real uses of the people. The chart accompanying table 5 in Appendix VII is to my mind a very complete picture of the distortion which the country has allowed to develop by not giving the productive workers sufficient purchasing power to call forth the production of the homely necessities and comforts of life. I want you to look at that chart. I want you to see it in terms of the home life of millions of families.

The present lack of coordination between the needs of the population and production is again vividly shown in Table 11 of appendix VII. The requirements of the people in the way of

food do not fluctuate violently from year to year. The fact is that they are never fully satisfied. Only an abrupt curtailment of the ability to express demands in purchasing power could explain any such abrupt decrease in production as that which is shown in the meat industry. Production of meat products from the Chicago Slaughtering houses in the first 9 months of 1921 was 36% lower than in the same period of the preceding year.

In this table very great decreases are registered in the production of the basic metals. This arises from the fact that metal products are most largely related to the present commercial combat. The fact that the production of pig iron is treated as a reliable barometer of business is significant. The demands of the commercial combat are far more subject to violent fluctuations than are the normal demands of the people. These metal producing industries are developed to meet this condition. They are developed to carry the full load of the peak years of hectic business activity and are consequently largely shut down during periods of depression. In the last stages of inflation it is easy for these overdeveloped plants to produce enough surplus stock to meet the demands of the deflation period.

These enormous plants, representing probably the largest block of capital in the country, are about the clearest example of the coordination of production to the fight for profits rather than to the steady human needs of the community. The coordination of these to those steady needs would not only make possible far greater stability in employment but would also relieve the country of a great burden of semi idle capital which it is forced to carry. Iron and Steel is today primarily a munitions industry-it produces

not only munitions of international war but also munitions of the domestic fight for profits. Periods of so-called business prosperity are periods in which the fight for profits is at its height. There is, consequently, a great demand for the building and extension of factories equipped with all the highly developed machinery for defeating competitors in the market. There is great demand for the building of skyscraper headquarters for the various staffs. There is great demand for more complicated and elaborate means of communication, for luxurious automobiles and for all the other accoutrements and panoply with which fighting leaders surround themselves. All these create a demand upon the metal industries which is quite apart from the steady normal demands connected with the provision of the necessities of life. These industries are expanded to meet these periodic demands. The country is required to carry this over-expanded plant and to pay for the production of the munitions of the fight for profits just as it is supposed to carry the costs of preparedness and of war between nations.

Table 12 gives some idea of the absolute lack of coordination in the use of the country's resources which prevails where the direction of these is subject to the demands of the fight for profits. This myth to the effect that the fight for profits is the best incentive to production, when carried into effect tends to exaggerate enormously the slight fluctuations in consumers demand. The table shows the comparative production of various commodities in the maximum and minimum months of the last two years as reported to the Department of Commerce.

The production of beef and pork would normally be quite steady. Yet in response to the demands of the commercial combat the production of the first group of products declined to a minimum of 62% of the maximum. The low point in the production of pork amounted to only 38% of the maximum. Consider the range of output of flour, from 100 down to 50, or of anthracite coal, from 100 down to 56. The demand for meat and flour is steady. Flour is made from wheat which has crop seasons. But storage is perfectly possible, and with storage, the production of flour could be evened out. Similarly it is perfectly feasible to store anthracite coal. With proper coordination, planning to secure the best possible use of human labor and plant resources, there is no doubt in the world as to the possibility of getting rid of a very large part of this exaggerated variation in production which causes practically every industry to have from 50 to 100% more plant than is necessary for the regular supply of the country's needs.

Possible Effective Use of the Country's Plant.

In table 13, all of the data in which is taken from the Department of Commerce, Survey of Current Business, we have a record of the extent to which full capacity of various industries is used during a period of depression. In May, 1921, the shoe industry was operating at only 55% of capacity. For the entire year ending July 31, 1921 the Cotton Spindles of the country were only operating at one half of the normal rate. In November, 1920, the knit goods industry was operating just 23% of normal. These are samples of industries

producing consumers goods. All the other industries appear to be in the same class. Only four of those listed were operating in the low month more than 50% of capacity. Obviously, if these periods of depression could be avoided, the plant of the country could turn out more goods which could be distributed over a very considerable period.

But periods of depression are not the only periods in which these industries operate far below capacity. In few of the industries producing consumers goods is there regular production during any one year. The clothing industry, the boot and shoe industry, the textile industry, the coal industry, all these have their periods of high activity and their periods of depression each year. This is explained by the fact that the consumer's purchases are seasonal. But what is it that prevents an estimate being made of the country's annual requirements in the way of cloth, clothing, boots and shoes? If this could be done, just enough plant could be supported to supply that demand with regular work. There would be no idle plant and heavy overhead to be carried. Full use of that plant would provide everyone with enough clothes and shoes. The answer is that the fight for profits prevents it, Morris L. Cooke, one of the country's best known industrial experts, writing in the report on the elimination of waste in industry of the American Engineering Council says of the clothing industry:

"The most waste takes the form of seasonal shut-downs, partial or complete.....The most fundamental cause of waste is the traditional fear-inspired, order-enticing sales policy which expresses itself in wide variety, and its attendant make-to-order basis of manufacturing. The trend in recent years, due to the desire of the manufacturers to stimulate additional demand and their fear of losing ground to competitors, has been toward an increasing number

of styles of young men's suits and of varieties of cloth.The natural accompaniment of this excessive variety is manufacture only to fill sales orders actually on hand - the sell-then-make policy.This sales and manufacturing policy of the men's ready-made clothing industry has vast, far-reaching and ramifying effects, both economically and socially: (a) It permits a manufacture only in small lots. (b) It necessitates seasonal production, the bunching of a large part of production into two short periods."

Another Engineer, Mr. Sanford E. Thompson finds about the same thing cutting down the possible production of the shoe industry. He gives as the first cause of waste in the industry "seasonal business complicated by variety of styles." According to his report "The varieties of style, the number of sizes and widths, the multiplicity of operations in making the shoe complicate the processes and tend to cause congestion between departments and irregularity of flow of work. This results in wasted time of the shoe maker with the consequent dissatisfaction and unrest and loss in production ~~an~~ overhead cost to the manufacturer." He continues

"The nightmare of every shoe worker, except in a few shops that have standardized production methods, is the constant fear of unemployment. Add to this the loss of time when he is actually on the job waiting for shoes, and we have a picture of the situation. Manufacturers estimate that the average shoe maker spends only 65% of his possible productive hours in work; 35% of his time is spent in idleness."

Throughout his report it is evident that this matter of style occupies the chief position as a cause of waste in the production of shoes. In the Spring of 1921 the profit motive came in to emphasize this matter of style. At this time, according to Mr. Thompson "the manufacture of novelties was greatly augmented by the efforts of the shoe manufacturers to create demand by manufacturing novelties for immediate sale." It is the usual case where industry is operated as a manoeuver in the fight for profits. The industry is over-expanded and then becomes seasonal

because the manufacturer who closes down until the last moment before the seasonal demand and then puts out some novelty design may cut the market from under the feet of the manufacturer who has manufactured far better standard shoes without a seasonal close-down. Salesmen, advertising agents, the Simon-pure representatives of the commercial combat, demand styles and more styles, and ever more rapid changes of styles.

Mr. Thompson states that the capacity of the shoe manufacturing plants in the United States is approximately 1,750,000 pairs per day. The average production is about 977,000 pairs for a 300 day year. Evidently if this industry were run primarily to produce substantial goods for the consumer there would be no question as to its ability to produce enough shoes to fill the bill.

In fact in the production of cloth, clothing and shoes we meet the same thing, the industries are operating only a part of every year. And during that part of the year they are not efficiently run. In Table 14 of the Appendix dealing with physical production you will find the most authoritative estimates as to the percentage of capacity at which the majority of industries operate in normal times. Taking them as a whole they normally operate all the way from 25% to 60% below their capacity. Working no more than an 8 hour day the following increased production could be secured:

(1) Men's clothing - 43% more than at present available for distribution.

(2) Shoes - 66% more than at present available for distribution.

(3) Wool cloth - 41% more than at present available for distribution.

(4) Carpets and Rugs - 66% more than at present available for distribution.

(5) Bricks - 25% more than at present available for the construction of houses.

(6) Metals and metal products - at least 54% more than at present available for the use of the community.

This shows the general possibilities of production in the case of some of the leading industries. The same thing is true of practically all of them. Engineers estimate that industry as a whole is producing only about 60% of what would be perfectly possible if the present plant were operated regularly and efficiently 8 hours per day.

It is of course true that the families of the United States would not require this great extra production from some of the industries. Unnecessary plant in such industries could be scrapped and thus cease to be an overhead burden on the country. The man-power thus set free could be diverted into more regular employment in the production of goods of which there would result no over-supply. Additional comforts be added to the supplies going to families if the labor for their production were considered justified by the results, or shorter hours could be worked all around.

Management has been shouting to labor "Be more efficient and industry will produce more for your pay envelope." But our study of the report of the American Engineering Council which under Mr. Hoover's direction has investigated waste in Industry, convinces us that the major responsibility for inefficiency and waste rests with management. In the judgment of those engineers the responsibility of management varies from 50% of the total in the Textile Industry to 81% of the total in the Metal Trades, the simple average of

management's responsibility being about 68%. On the other hand the responsibility of the wage earner is assayed by these engineers at from 9% in the Metal Trades to 28% in the Printing Trades, with a simple average showing for the group of industries labor's share in the responsibility for waste to be about 16% or less than a quarter of the management's.

Management is dictated to by commercial capital. The main object is success in the battle for profits. Management has no dominant interest in producing the necessities of life. The booty acquired through victory in the battle for profits guarantees them all they need of the necessities and comforts, whether there is enough to go around to the rest of the population or not. It is this which wholly unfits commercial capital for taking direction of society's activities in the direction of procuring a living from nature.

Does Nature Provide Enough.

That brings us to the final question as to whether a living wage is physically possible. Granted that industry is effectively used, is the supply of raw materials adequate? Raw materials include not only mineral products, but also the products of agriculture. The ability of the coal mines and the copper mines and the iron mines to supply sufficient of their several products to meet the demand is so little questioned that I am not going to take it up now. I wish merely to point out that the waste of many of these products in the service of commercial militarism and the waste involved in

luxuries of the leisure classes would provide a wide margin, if eliminated.

In terms of our wage problem, the vital thing is not steel but food, not the products of oil wells but the products of the farm. The real question will be raised as to whether the per capita production of food stuffs can be increased so as to provide every family with ample food. The answer is a strong affirmative. But the securing of this food will require the devotion to the problem of a lot of the concentration of human effort which is today being wasted in the fight for profits.

If able bodied men were being drawn from the commercial combat into farming instead of from the farms into the fight for profits, there are available for farm lands today as many more acres as are today cultivated. Italy cultivates 92% of its total area. France cultivates 95-1/2 of its total area. Hungary cultivates 94-1/2% of its total area. The United States today cultivates only 25% of its total area.

Why is it then, if there are these vast areas for possible food growing, why is it that there is no more free land to absorb the surplus of labor which is always an unemployed margin in the cities? The answer is simple. Because the vast tracts which do not supply their quota of the food needed by the people are held in large part by the same interests that control prices and set wages and determine the financial policy of the railroads. Much of it is a part of the large tracts of land given outright to the railroads by the people

of the United States. From the Federal Report on "The Lumber Industry", Part III, p 181, (Government Printing Office 1914) it appears that 733 landholders own 98,867,000 acres of unimproved land. This is equivalent to more than 20% of the entire improved farm land in the United States as reported in the Census of 1910. This exceeds by more than a million acres the total improved farm land owned by 2,203,686 farmers in 26 states of the Union. Some examples of this land monopoly taken from the Report on the Lumber Industry, above referred to, appear in the following table:-

SOME EXAMPLES OF LAND MONOPOLY

(Compiled from the Report on "The Lumber Industry", by the Bureau of Corporations, Washington, D.C., 1914. See Part II, Chap.6; Part III, Chap. 2.)

LOUISIANA	
Owner	No. Of Acres
Tensas Delta Land Co. - - - - -	391,000
William Buchanan Companies- - - - -	330,000
Long-Bell Lumber Co.- - - - -	318,000
Frost Johnson Lumber Co.- - - - -	277,000
Missouri Lumber & Land Exchange interests - - - - -	276,000
Great Southern Lumber Co. and affiliated companies-	233,000
Calcasieu Pine Co. and Southern Lumber Co.- - - - -	134,000
Jay Gould Estate- - - - -	124,000
Hutcher & Moore interests - - - - -	121,000
Central Coal & Coke Co. - - - - -	95,000
260 other holders own - - - - -	<u>3,016,000</u>
Total acreage (270 holders)- - - - -	5,315,000
Average number of acres per holder - - - - -	19,700
Total improved acreage in Louisiana (1910 Census) -	5,276,016
Total number of farms - - - - -	120,546
Average number of acres per farm- - - - -	48

FLORIDA

Owner

No. Of Acres

Southern States Land & Timber Co. - - - - -	1,402,000
Empire Land & National Timber Co. - - - - -	941,000
Florida Coast Line Canal & Transportation interests - - - - -	610,000
John Paul & East Coast Lumber Co. - - - - -	600,000
R. J. Bolles - - - - -	474,000
R. J. & B. F. Camp Lumber Co. and Crystal Lumber Co. - - - - -	375,000
Model Land Co. - - - - -	355,000
Cummer Lumber Co. - - - - -	318,000
Dowling Lumber Co. - - - - -	305,000
Hillman Sutherland Co. - - - - -	273,000
Putnam Lumber Co. - - - - -	238,000
Aripeka Sawmill Co. - - - - -	232,000
Myaka Land Co. - - - - -	193,000
Florida Land & Timber Co. - - - - -	189,000
Stearns & Culver Lumber Co. - - - - -	189,000
St. Joseph Land & Development Co. - - - - -	184,000
Southern Timber & Naval Stores Co., Florida Land Co. and affiliated companies - - - - -	182,000
J. P. Williams and J. P. Williams Land Co. - - - - -	177,000
B. Beacham - - - - -	177,000
Wilson Cypress Company - - - - -	164,000
Hodges, O'Hara & Russell interests - - - - -	155,000
B. Parker, et al - - - - -	146,000
McLeod Timber & Duluth Timber Companies - - - - -	133,000
28 other holders own - - - - -	2,688,000
36 other holders own - - - - -	2,175,000
47 other holders own - - - - -	1,726,000
66 other holders own - - - - -	1,479,000
89 other holders own - - - - -	1,139,000

Total acreage (290 holders) - - - - - 18,949,000

Average number of acres per holder - - - - - 65,341

Total improved acreage in Florida (1910 Census) - 1,805,408

Total number of farms - - - - - 50,016

Average number of acres per farm - - - - - 36

MICHIGAN
(Upper Peninsula Only)

Owner	No. of Acres.
Cleveland Cliffs Iron Co - - - - -	1,515,000
Keweenaw Association (Ltd) - - - - -	373,000
The Michigan Iron & Land Co. (Ltd) - - - - -	324,000
I. Stephenson interests - - - - -	302,000
Chicago & Northwestern Ry. - - - - -	186,000
United States Steel Corporation - - - - -	171,000
130 other holders own - - - - -	<u>3,624,000</u>

Total Acreage (136 holders) - - - - - 6,495,000

Average number of acres per holder 47,760

Total improved acreage in Michigan (entire state) 12,832,078

Total number of farms - - - - - 206,960

Average number of acres per farm - - - - - 62

PACIFIC STATES

Northern Pacific Railway Co. - - - - -	9,950,000
Southern Pacific Railway Co. - - - - -	13,880,000
Atchison, Topeka & Santa Fe Railway Co. - - - - -	<u>9,653,000</u>

Total acreage (3 holders) - - - - - 33,483,000

Total improved acreage in the nine states of
Idaho, Wyoming, New Mexico, Montana, Utah,
Nevada, Washington, Oregon and California - - - 33,300,736

Total number of farms - - - - - 318,140

Average number of acres per farm - - - - - 104



Note particularly the ownership of 33,483,000 acres by three railroads in nine western States. In these same States the total of improved farm acreage owned by over 300,000 farmers amounts to only 33,300,736 acres. In the Report of the United States Bureau of Corporations on the Lumber Industry this is remarked as follows:

"After enormous sales to such companies as the Weyerhaeuser Timber Company and the Amalgamated Copper Company and after sales of other vast quantities to smaller purchasers the lands still held by the Northern Pacific, together with that of the Southern Pacific and the 9,700,000 acres of the Atchison, Topeka and Santa Fe makes the present timbered and non-timbered holdings of these three railroads over 33,500,000 acres, an area as large as that of England."

As a matter of fact, when the enormous gifts of lands to the railroads are considered, together with the purpose of those grants and the stipulations accompanying them, it is obvious that the failure of the railroads to carry out their side of the bargain is to a very considerable extent responsible for the apparent lag of the agricultural production behind the general progress of the country. And I might remark by way of parenthesis that this policy of the railroads has resulted in a very material diminution of their own traffic below what it might have been if the territory along their lines had been fully settled and developed.

In this connection we have reproduced a very striking map which shows the extent of these land grants. The records of the General Land Office show that in the aggregate approximately 190,000,000 acres, or 296,875 square miles was appropriated by Congress for railway companies, an area as large as that of all the New England States combined, with the addition

of the States of New York, New Jersey, Delaware, Pennsylvania, Ohio, Indiana and Illinois. Of this some 35,000,000 acres were forfeited for failure to build the roads. However, this is nearly balanced by the grant by Texas of 32,400,000 acres to the railroads, not to mention smaller grants by other States.

I am not, here, interested in developing the extent to which these grants have been misused so that the public benefit in reduced transportation charges has failed to be realized. But I do want to suggest that the country's basic industry, agriculture, has been curtailed by the failure of the roads to use this land as originally intended. Much of it has been withheld from settlement as originally intended, and much of it has been sold at higher prices than intended in the original grants. The price of land is a direct burden upon the agricultural producer. He must either come to the land with a large capital or he must live his life trying to meet rent or interest charges. In this way the high value at which farm land is held not only tends to discourage men from taking up farming, thus keeping the land idle, but also burdens those actually engaged in farming, forcing them to demand higher prices as a necessity. This high value represents a barrier to the production of abundant food at reasonable prices. In the interest of profits which are entirely unearned these railroads are curtailing the ability of the country to use freely its resources for the production which is essential to the payment of a living wage.

In other words, if this land were free to opening, without the burden imposed on the individual without property who

attempts to pay out of product for highly expensive land, a long step would be taken toward securing the plentiful supply of food which we need.

It is obvious that there is, also, still room for the abundant production of meat. The decreased production of cattle and other livestock is generally attributed to the reduction in ranges and pasture land through the encroachment of crop farming. From the facts which I have just noted it appears that there is still much land that could be used for the raising of cattle, also for the raising of sheep for wool, if it were not held at such a figure as to make impossible its profitable use.

Finally, however, and of perhaps greater importance, is the possibility of using the present farms to produce far greater quantities. Agriculture, like an industrial plant, is subject to increased costs when less than full capacity production must carry the full overhead. The total farm acreage of the United States is less than half of its land area. Less than half of this farm acreage has been improved. And very few of the improved acres produce the crops which are easily attainable. The Year Book of the U. S. Department of Agriculture, after describing the educational work of its experts, went on to say:

"The simple statement that a thousand farmers in a particular state, under the direction of the department, produced an average yield per acre of the standard crops of twice or three times the average yield, conveys information of but a small part of the actual effect stated."

The average yield of corn per acre in this country was 25 bushels during the 5 or 6 years before the war. In many localities corn clubs have been formed. The members of these clubs, working under the direction of an expert, have secured crops averaging from 50 to 150 bushels per acre. It is clear that by better methods our crops can be made to yield an ample quantity of all essential foods.

What prevents this today? The same thing that renders industry inefficient and takes the interest out of work for the man of low income, and more and more from all except those whose appetite is whetted by the fight for profits. The natural incentive to work is gone. The natural incentive is to direct your efforts to producing the necessities and comforts of a happy life. But today fifty cents' worth of products is all that is secured by a dollar's worth of effort. Half of the products of the farmer and of the industrial worker do not obtain in return goods or services. They go to pay interest on farm mortgages, rent on farms, the enormous rental value of business cities like Chicago, New York, Philadelphia, and the rest; they go to pay perpetual interest on investment in plants, which are fifty per cent larger than would be needed if they were used regularly and effectively; they go to pay the salaries of tens of thousands of salesmen, advertising agents, clerks, accountants, stenographers, telephone operators, lawyers, and

all the host employed in the service of, or in making the paraphernalia required by commercialism. They are paying enormous sums for the support of those who render no service in return. Half of their work brings this result. And if they increase their product by 10%, then all values go up, or the value of their product goes down, and the net result is that they receive the value, not of 50% of their productive work, but of only 45%, getting the same standard of living in exchange for 10% more product. The rules of the profit game cannot be broken. They work automatically to absorb for the commercial heroes the full amount of any increase in society's production.

Until the humble producers are given back their right to use the resources of the country for the single purpose of providing a good life for everyone, this situation will continue to grow worse. Just enough of productive effort will be devoted to producing the bare essentials of a wage earner's life to keep the machine working. After that, all increases in productive power will be absorbed in meeting the ever increasing demands of commercial capital.

This Country Can Produce A Splendid Living Wage.

I have already referred to the study which I have had inserted in the appendix to my argument, dealing with the physical production of the United States. If ability to pay a living wage is going to be a deciding factor, then we are distinctly interested in the ability of any industry or of all industry to pay a living wage.

The first thing which our study of physical production has shown us is that with coordination for production the country can increase its production materially. When we entered the war we needed production. We found that concentration on the fight for profits had failed entirely to coordinate the productive power of the country to such an extent as would make possible even the minimum of production which was required for successful prosecution of the war. As a result, under government agencies, some coordination was achieved with the result that production was practically maintained despite the withdrawal of millions of young men from industry. This leads us to the conclusion that the country can coordinate its productive power so as to obtain a considerably larger output if the end sought is output. And it is our contention that the only natural way of making output the end is by creating a domestic demand for that output by giving every family in the land a purchasing power which will enable that family to demand all the necessities of a comfortable living.

When the humble consumers have the purchasing power which will demand the production of enough of necessities and comforts to supply every family before the productive labor and machinery is used to produce munitions of the fight for profits, or the panoply and mobt-grandeur which the fighting class require, then suddenly there will be available for transfer to the work of life a full 75% of all the productive workers of the land. The whole land will breathe a sigh of relief when those who have been driven to the production of baubles, menial service and rubbish once more pitch in and help the rest to secure for all a decent living.

Now, I come back to the place where I started. My purpose has been to describe as well as I could in brief space the working of the present wage system. For it ~~is~~ only against such a background that the full implications of the present case can be seen.

From the facts developed it appears that there is a steady tendency for decisions vitally affecting the livelihood of the people to be made according to business standards, that is, according to standards which place interest, rents and dividends ahead of the return to wage earners of the regular supplies which their families need for health and comfort. The results are apparent enough, an increasing absorption of national purchasing power by so small^a percentage of the population that it ceases to create a normal demand for the production of enough essentials to meet the real requirements of the country. It is our belief that, wholly aside from the justice of wage demands, this tendency cannot continue indefinitely without undermining the very foundations of the social structure.

Early in my presentation I asked two questions. I will repeat them.

First. If industry can pay a living wage but will not, what should be the attitude of the workers?

Second, if industry as at present operated cannot pay a living wage, what should be the attitude of the workers?

Our study of the wage question during the inflation period has developed clearly that the extent to which industry is able to pay a living wage has nothing to do with its payment. Labor does not share as a partner in the increased profits of prosperity. Whether prices rise or fall, whether production goes up or down, labor is tied close to the lowest level at which it can be bought in the market which capital owns and controls. Therefore, it is clear that industry does not intend to pay a living wage.

Our study of the ability of industry as at present organized has further shown us that the prime purpose for which business is today operated will always prevent the production of those goods necessary to a comfortable living in sufficient quantity to be able to afford them to every family.

As a matter of fact the two questions are really one, So long as industry will not pay a living wage it cannot, because purchasing power creates the demand which production satisfied. Without that purchasing power, extra production of wheat and corn and vegetables and fruit would be dumped in the creeks and rivers as oversupply. But our examination of the possibility of physical production shows us that the converse is also true. If industry will pay a living wage it can pay a living wage.

Our physical resources, our plant, our labor power, our scientific knowledge, all these are more than adequate. Only the will to pay a living wage is absent.

We come here, then, as consumers seeking recognition of our right to sufficient purchasing power to enable us to call forth such products as are essential to the well-being and homely comforts of family life.

We have developed clearly in our study the nature of the market in which wages are determined, that is, in which the purchasing power of the community is apportioned. This market operates according to the unbending law of commercialism, "charge what the traffic will bear", "capitalization based on the highest limit of prospective earning power". The productive system and its product are considered as the property of commercial capital. From the sale of the product commercial capital pays costs and keeps the rest as a return on property, either rent, interest or profits. Labor is merely one of the costs like upkeep of machinery. Capitalization of prospective profits means that capital must absorb all increased productivity.

In our study of the deflation period we have seen the operation of the system in its crudest form. We are now in such a period. Our findings may be summarized in a single brief paragraph which places the present wage demands of railroad management together with all the wage data which they have presented in their true setting. I might state it as follows:

The interests in control of prices and jobs have put the lid on domestic consumption at just the time when wages were beginning to overtake prices. They are holding the lid

on until they get low wages in all industries including low returns to farmers. They are pursuing this policy in order that when increased production is again initiated they can again absorb the entire increase. The process which we traced through the inflation period, prices running ahead of wages, will then be repeated.

This is the way the business cycle works. If the Railroad Labor Board, constituted to provide just and reasonable wages, must conform to this cycle, then the employes of industry will have to answer the question which I have asked in terms which will protect their interests as consumers.

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